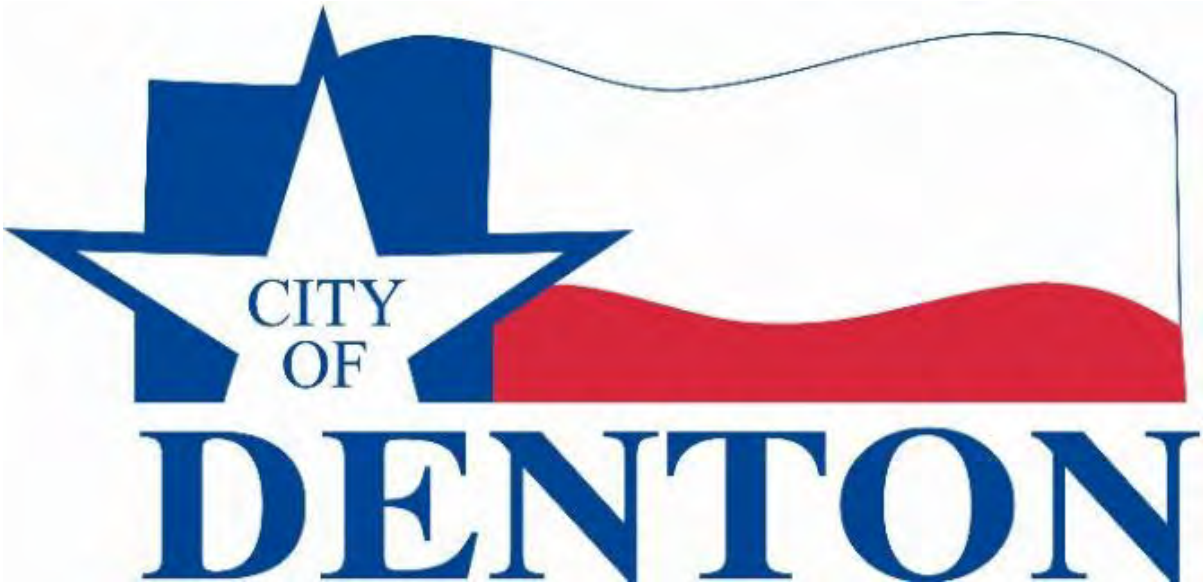
ANNUAL COMPREHENSIVE FINANCIAL REPORT

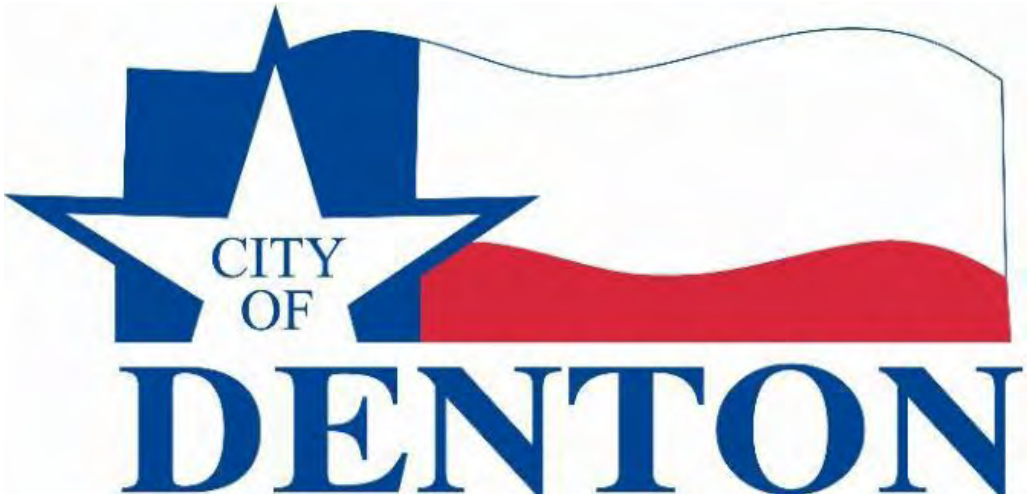
Fiscal Year Ending Sept. 30, 2021

CITY OF DENTON

CITY OF DENTON TEXAS

- INTEGRITY
- FISCAL RESPONSIBILITY
- INCLUSION
- TRANSPARENCY
- OUTSTANDING CUSTOMER SERVICE


CITY
OF
DENTON



VISION

"*Destination Denton"*

Denton is an identifiable and memorable destination and a community of opportunities. We achieve this by providing high quality of life through excellence in education, entertainment, and employment; neighborhood vitality and sustainability; environmental and financial stewardship; and superior public facilities and services.

MISSION

"Dedicated to Quality Service"

The City of Denton will foster an environment that will deliver extraordinary quality service and products through stakeholder, peer group, and citizen collaboration; leadership and innovation; and sustainable and efficient use of resources.

VALUES

"We Care"

We care about our people, our community, and our work. We do this with integrity, respect, and fairness.

CORE VALUES

INTEGRITY

Making sure that with every decision we make, our actions match our values.

FISCAL RESPONSIBILITY

Ensuring that people can trust that we use public funds conscientiously, with the community's best interest in mind.

INCLUSION

Creating a culture where all people feel a sense of belonging and support by valuing each other and our differences

TRANSPARENCY

Building an environment of trust by interacting with others honestly as well as collecting and sharing clear and concise information.

OUTSTANDING CUSTOMER SERVICE

Employing a holistic approach to problem-solving and providing responsive service that goes above and beyond expectations.

CITY OF DENTON, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended September 30, 2021

CITY MANAGER

Sara Hensley

DEPUTY CITY MANAGER
David Gaines

Prepared by:

Cassandra Ogden
Director of Finance/Chief Financial Officer

Perla Tavera
Controller

Cody Wood
Assistant Controller

Vis Bouaphanthavong, CPA
Assistant Controller

Ed Lane, CPA
Accounting Supervisor

Kurt Breyfogle
Senior Accountant

Catherine Bai, CPA
Senior Accountant

Becky DePuy
Senior Accountant

Mayela Vasquez
Accountant

Gabriela Cojanu
Accountant

Lori Allen
Accountant

Tonia Lynch
Accountant

Nicholas Vincent
Assistant Director of Finance

Randee Klingele
Treasury Manager

City of Denton, Texas
Annual Comprehensive Financial Report
For Year Ended September 30, 2021

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Comprehensive Annual Comprehensive Financial Report
For Year Ended September 30, 2021

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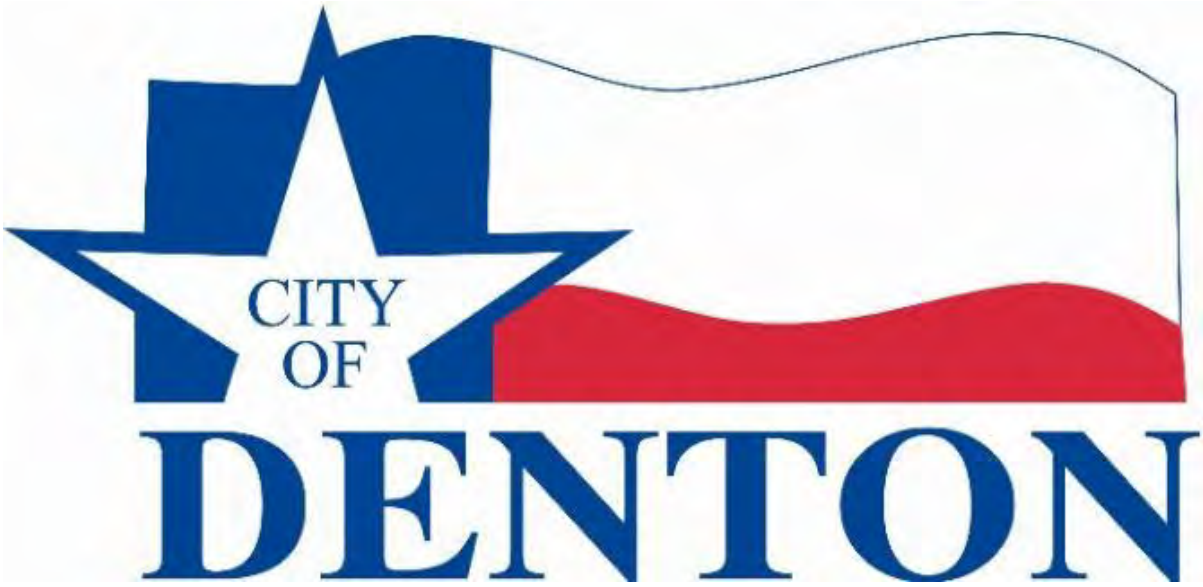

CITY
OF
DENTON

Finance Department
215 E. McKinney St., Denton, TX 76201 • (940) 349-8531

March 30, 2022

The Honorable Mayor and Members of the City Council
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Denton (the City) for the fiscal year ended September 30, 2021. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2021.

The ACFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Weaver and Tidwell, LLP. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2021. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Originally incorporated on September 26, 1866, the City of Denton is now 98.818 square miles and has an estimated population of 143,573. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member

districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area.

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (construction and maintenance of highways, streets and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water, and wastewater services.

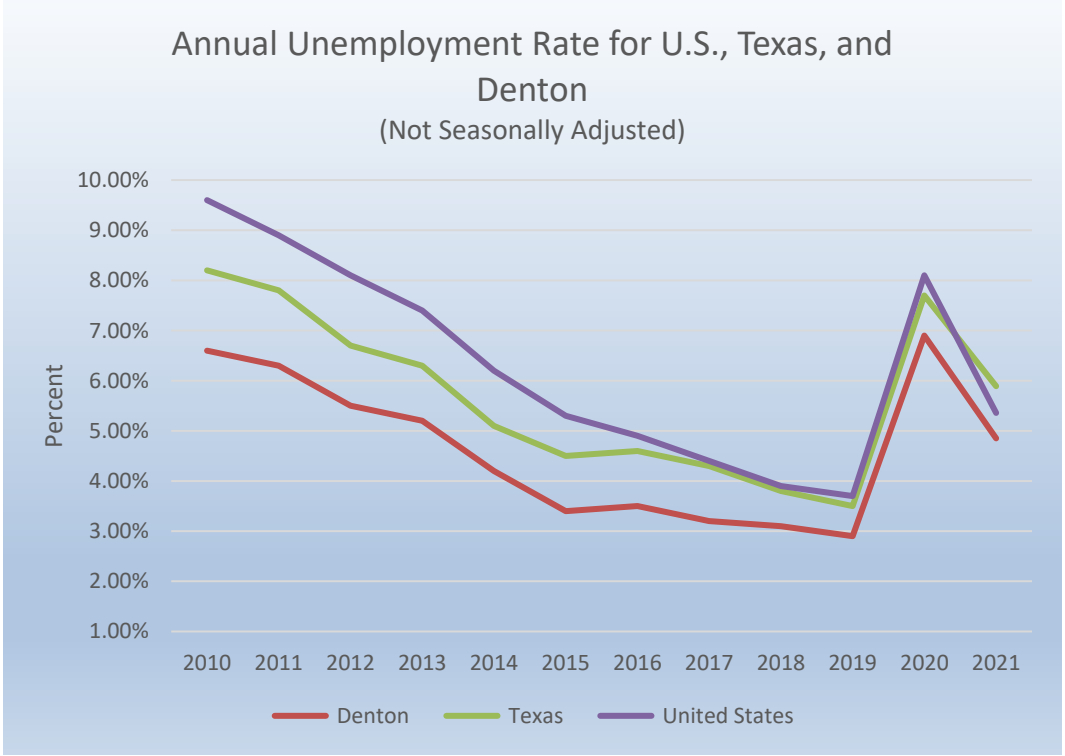
The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, Technology Services, Customer Service, and Facilities funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The Customer Service Fund accounts for the financing of customer service activities provided to the residents and businesses of the City on behalf of other departments within the City. The Facilities Management Fund is responsible for maintaining all city-owned facilities and vertical construction projects. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

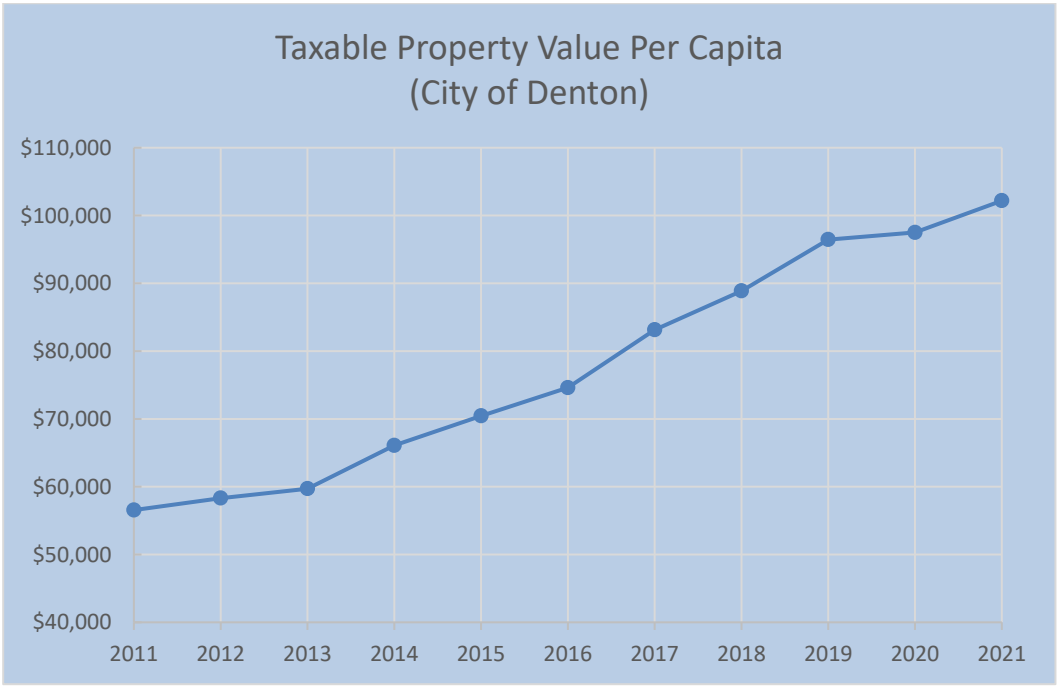
LOCAL ECONOMY

Fiscal year 2020-21, with the challenges the pandemic and variants brought, a new normalcy has set in, the city of Denton has continued to grow with a tax base average growth of 8.48% over the last 10 years. Recently, the City's tax base grew by 11.92% in FY 2019-20, 4.39% in FY 2020-21, and 7.88% in FY 2021-22. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 27.2% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2020-21, total sales tax revenues equaled $45,404,857 which is $6,067,023 or 15.4%, more than the prior year collections of $39,337,834.

The City of Denton's net seasonally adjusted annual unemployment average rate remains below state and national levels at an average 4.9 percent in 2021 which has decreased significantly compared to 6.9 average of FY2019-2020. Excluding City building, County buildings, schools, and churches, the City of Denton issued 18771 residential and commercial building permits for FY2019-20, with an estimated value of $795 million. This compares to a total of 1,601 commercial and residential permits issued for FY2019-20 and an estimated value of $700 million. The overall permit numbers were up due to a increase in single family housing.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.


Annual Unemployment Rate for U.S., Texas, and Denton
(Not Seasonally Adjusted)
Percent
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021
Denton
Texas
United States


Taxable Property Value Per Capita
(City of Denton)
$110,000
$100,000
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Fiscal year 2021-22 the City continued to see indicators of a strong economy that adjusted to and remained stable throughout the pandemic. Listed below are just a few of the highlights:

- The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the development that will soon include Ulta Beauty. The Town Center also includes the Embassy Suites Hotel and Convention Center described in more detail below. In addition, a new 300-unit multifamily project, the Village at Rayzor Ranch, opened in late 2019, and construction began in 2020 and opened in 2021, on the Residences at Rayzor Ranch, a 40-acre site that will include 215 town homes and 65 single family homes and 31 single-family homes. Growler Bar and Taqueria Monterrey are new restaurant tenants at the Town Center.
- O'Reilly Hotel Partners Denton (OHPD) opened the 70,000-square-foot Convention Center, 318-room LEED Gold Certified Embassy Suites Hotel, and Houlihan's restaurant project in January 2018. The property was designated as a "2019 AAA Inspector's Best of Housekeeping Hotel," which ranks the hotel in the top 25% of 27,000 inspected hotels. In 2019, Hilton Worldwide recognized the Embassy Suites Denton Hotel and Convention Center as the #1 in Brand 2019 Connie Award winner, the highest distinction across all 17 Hilton Worldwide brands and the 258 eligible properties. As a major anchor for the Rayzor Ranch Town Center, the project capitalizes on the shopping, entertainment, and restaurants located nearby. The privately managed convention center is also expected to expand the City's convention business and overall tourism industry.
- The City's Fire Station 8, opened in February of 2021 near the Medical City Denton, which has been six years in the making. The facility is approximately 8,500 square feet, which provides quick response to emergencies around Denton's southeastern medical corridor.
- Denton continued to see positive growth in the tech industry in FY 2021-21. Denton's coworking space and entrepreneur center, Stoke Denton, celebrated their 5-year Anniversary and continue to serve as a training and mentorship hub throughout the pandemic. Stoke and Texas Woman's University (TWU) Center for Women Entrepreneurs (CWE) launched an incubator program, AccelerateHER. Two rounds of grant funding were conducted. In September, seven women entrepreneurs were accepted into the program. Eighty-three events were hosted by Stoke in 2021. In addition, Denton initiated its first ever tech/entrepreneurship grant in 2021, with the local company detailed below:
    - Team of Defenders – Team of Defenders is an IT platform company established in 2018. They currently operate out of Stoke and estimate that they will hire 56 tech employees with a payroll of $7M in the next ten years.
- A number of projects, which will total over 3 million square feet, are currently underway in the Westpark Tax Increment Reinvestment Zone (TIRZ) in the largest industrially zoned area within the City.
    - Ironwood Realty Partners and Scannell Properties have partnered on an industrial project, Denton Crossing @ I-35, which will house approximately 1.2 million square feet of industrial speculative space along Western Boulevard. There will be a total of four buildings upon completion. Buildings 1 and 2 are underway with just under 700,000 square feet. Buildings 3 is currently under construction and will comprise up to 398,000. Building 4 has been constructed and has 127,000 square feet of warehouse space. Elite Materials Logistics plans to occupy a building in phase 2 of the development.
    - Exeter has completed a building comprising 649,000 square feet, where W. Oak Street and Jim Christal meet, that will be the newest distribution center for Lowe's Home Improvement. Exeter is also constructing three buildings at the northeast corner of Western Blvd. and Jim Christal. The square footage of these buildings are 324,000 square feet, 421,000 square feet, and 1,076,000 square feet
    - Hunt Southwest is developing 23-acre site on S. Western Boulevard at Jim Christal Road at the I-35 Convergence. It is planned to have 250,000 square feet of warehouse space with a proposed build-to-suit on seven of the acres, for a 227,420 square foot building.
    - Westpark Industrial, a 16-acre parcel, will include two speculative buildings at just over 100,000 square feet each.

- Denton Point is comprised of two buildings totaling 242,320 square feet. Building 2 is a 130,000 SF facility located along Western Boulevard. Denton Point is a rail-served development for manufacturing and supply chain uses.

The largest commercial and residential project in the city of Denton will be the Cole and Hunter Ranch developments, which received approval from the City Council in early 2020. Combined, the two developments include 6,400 acres for development. The master planned communities will include 12,900 single family units, 6,450 multifamily units, 485 acres for commercial development, and 256 acres for industrial development. The northern portion, near the airport, of the district is estimated to start in 2022. With a planned 40 year build out, these developments will be the largest and most impactful developments in Denton for years to come.

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2021-22 Annual Budget document. This document details the City's strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City's web site at www.cityofdenton.com and selecting Financial Transparency under the "Open Government" link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying ACFR document, the unassigned fund balance is $38.5 million, or 26.8%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2021.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2015-16 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The rate reserve level is established at a range of 8% to 12% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2020-21.

MAJOR INITIATIVES

The City's Strategic Plan and Council specifically identified improving facility infrastructure as a major goal. In response to this goal, the FY 2021-22 Budget includes additional issuance of General Obligation Bonds. This increase in funding shows the City's continued commitment to facility infrastructure and equipment funding.

The combination of increased operating funding along with the issuance of debt shows the strong commitment to improving our infrastructure. In the future, the City staff will continue efforts to identify additional funding for

facility infrastructure and equipment funding activities along with potential future debt issuances for street reconstruction to continue to improve the condition of the City's streets over the long term.

AWARDS AND ACKOWLEDGEMENTS

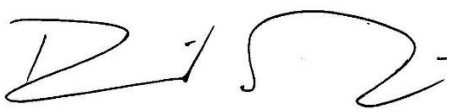
The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2020, for the thirty-sixth consecutive year. To be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2020-21 Annual Budget for the thirty-fourth consecutive year. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2021-22 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

The City received a Certificate of Distinction from the Government Treasurers of Texas (GTOT). The distinction was received for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing as established by the GTOT. The GTOT awards an estimated 35 distinctions annually, which the City has received seven times since 1999.

In 2022, City of Denton's has been awarded the Five Transparency Stares by the Texas Comptroller, which recognizes cities, counties, special purpose districts and school districts to provide easy online access to important financial data. The City of Denton is only one of 13 cities in Texas to receive all five transparency stars.

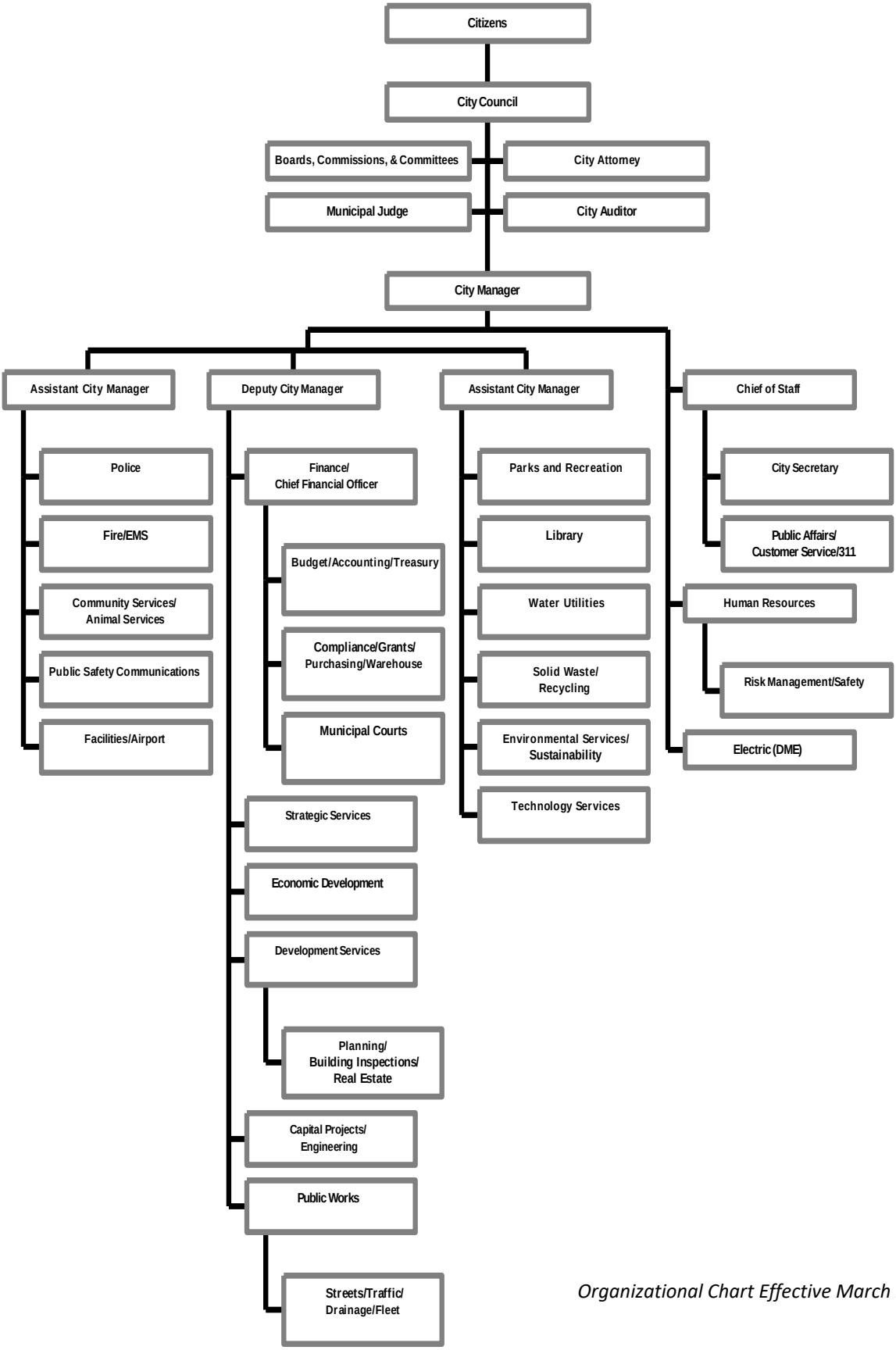
We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.



David Gaines
Deputy City Manager

Cassandra Ogden
Director of Finance/Chief Financial Officer

ORGANIZATIONAL CHART



Organizational Chart Effective March 21, 2022

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Denton
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Executive Director/CEO

CITY OF DENTON, TEXAS

List of Principal Officials

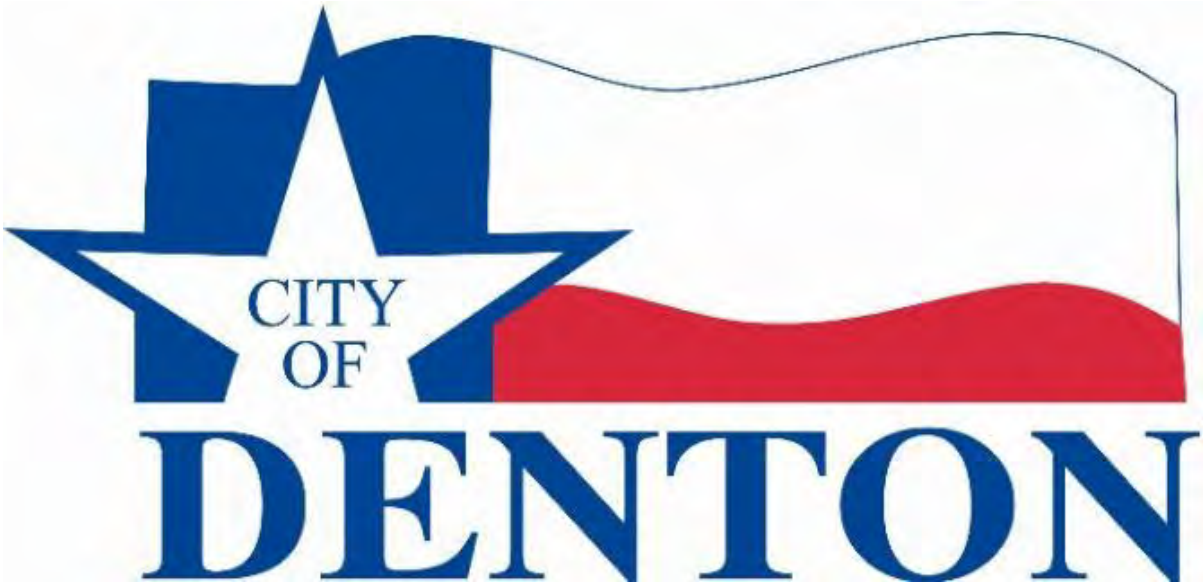
ELECTED OFFICIALS

Title	Name
Mayor	Gerard Hudspeth
Councilmember, District 1	Vicki Byrd
Councilmember, District 2	Brian Beck
Councilmember, District 3	Jesse Davis
Councilmember, District 4	Alison Maguire
Councilmember, At-Large Place 5	Deb Armintor
Mayor Pro Tem, At-Large Place 6	Paul Meltzer

CITY OFFICIALS

Title	Name
City Manager	Sara Hensley
Deputy City Manager	David Gaines
Assistant City Manager	Frank Dixon
Assistant City Manager	Christine Taylor
City Attorney	Mack Reinwand
Municipal Judge	C. Tyler Atkinson
City Secretary	Rosa Rios

Effective as of March 21, 2022


CITY
OF
DENTON

Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council of
The City of Denton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor and Members of the City Council of
The City of Denton, Texas

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, other supplemental information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and other supplemental information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and other supplemental information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Honorable Mayor and Members of the City Council of
The City of Denton, Texas

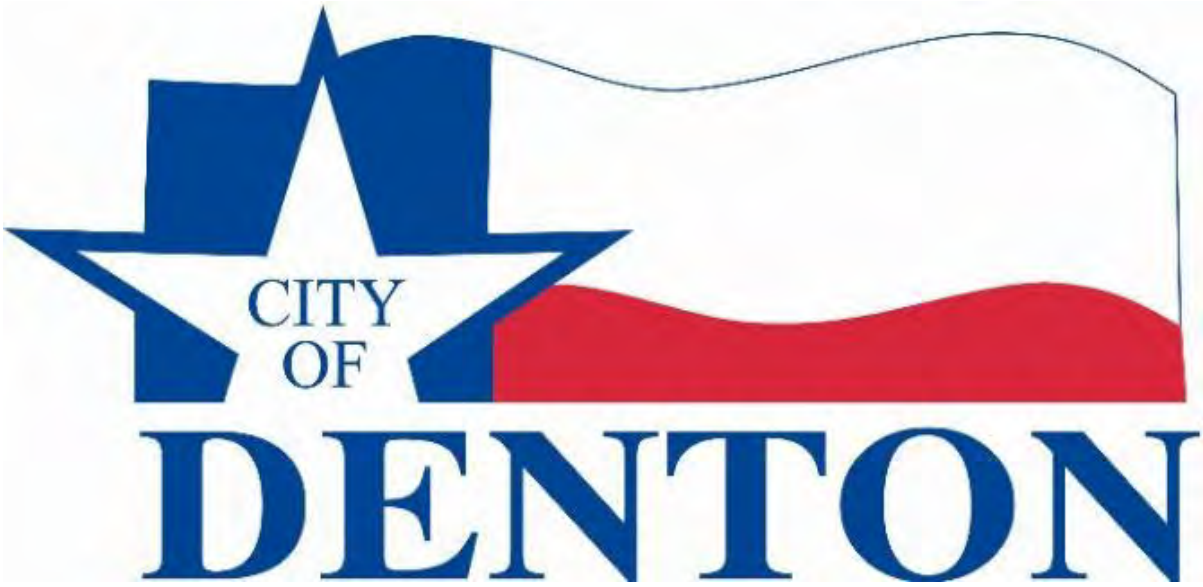
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2022


CITY
OF
DENTON

CITY OF DENTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Introduction

The Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2021 by $1,275,778,368 (net position), an increase of 11.5 percent from prior year net position. Of this amount, $156,021,556 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Pension liability of the City is $76,711,193, a decrease from prior year liability of $87,260,281. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* requires the City to report its net pension liability for participation in Texas Municipal Retirement System (TMRS) of the total Net Pensions Liability reported by the TMRS. As a result of recording the decrease in the City's portion of net pension liability ($7,710,097), an increase in deferred pension inflows ($1,244,573), and a decrease in deferred pension outflows ($1,097,720).
- Governmental activities revenue were $167,148,286 as compared to $155,278,232 for the year ended September 30, 2020. The increase of $11,870,054 is primarily driven by, an increase in tax revenues, property tax, and franchise fees. Business-type activity revenues were $(1,975,432) in fiscal year 2020-2021, representing a decrease of $6,634,667 from the prior year revenues of $5,035,834. The decrease is primarily driven by a decrease in investment revenue due to low market interest rates.
- Governmental funds reported combined ending fund balances of $228,084,437 as of September 30, 2021 which is an increase of $36,544,920 from fiscal year 2019-2020 ending fund balance total of $191,539,517.
- The City's primary General Fund resources are property taxes, sales tax, and franchise fees. Combined these resources account for 93.2 percent of total General Fund revenues which increased 7.9 percent from last year's results.
- The City's long-term liabilities outstanding increased by $205,556,110 in fiscal year 2020-2021. The increase is primarily attributable to an increase of $224,978,953 of Certificates of Obligation General Obligations Bonds Payable and Revenue Bonds Payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered regardless of when cash is

received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities**. Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities**. The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The following illustration summarizes the major features the City's financial statements. The City of Denton's funds are categorized as governmental, proprietary funds or fiduciary funds.

- **Governmental funds**. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

  The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for eight of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds**. The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's internal service funds are used to accumulate and allocate costs internally among the City of Denton's various functions. Both enterprise funds and internal service funds are components of proprietary funds.

  The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The individual funds provide the same type of

information as the government-wide financial statements only in more detail. The City considers all enterprise funds to be major funds.

The City of Denton maintains eight internal service funds. The City uses internal service funds to account for materials management, fleet services, health insurance, risk retention, technology services, engineering services, customer service, and facilities management. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Notes to the financial statements.
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information.
The combining nonmajor fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2021, the City's combined net position was $1,275,778,368, of which $328,693,298 can be attributed to governmental activities and $947,085,070 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (80.8%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position
(in thousands)

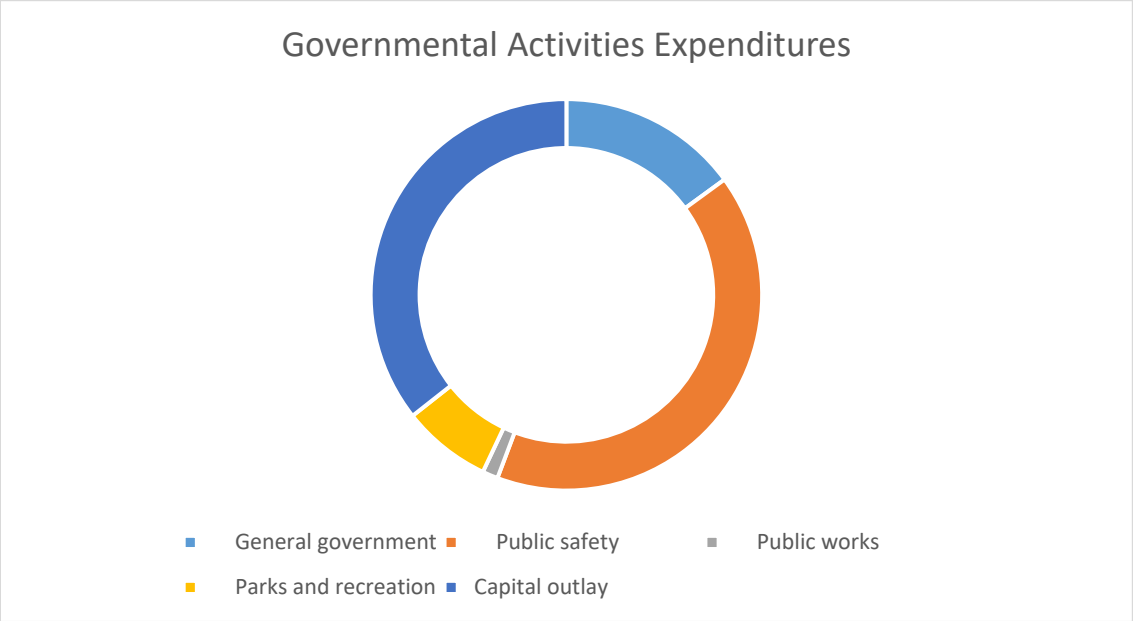
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 334,301	$ 286,616	$ 615,250	$ 428,172	$ 949,551	$ 714,788
Capital assets, net of accumulated depreciation	517,006	449,643	1,365,841	1,323,502	1,882,847	1,773,145
Total assets	851,307	736,259	1,981,091	1,751,674	2,832,398	2,487,933
Deferred outflows of resources	26,713	25,478	10,504	9,971	37,217	35,449
Long-term liabilities outstanding	438,974	377,066	1,008,680	864,988	1,447,654	1,242,054
Other liabilities	91,222	84,899	29,651	27,137	120,873	112,036
Total liabilities	530,196	461,965	1,038,331	892,125	1,568,527	1,354,090
Deferred inflows of resources	19,131	17,976	6,179	7,187	25,310	25,163
Net position:						
Net investment in capital assets	324,399	288,549	716,243	661,996	1,040,642	950,545
Restricted	31,847	29,974	47,267	38,025	79,114	67,999
Unrestricted	(27,553)	(36,727)	183,575	162,312	156,022	125,585
Total net position	$ 328,693	$ 281,796	$ 947,085	$ 862,333	$1,275,778	$ 1,144,129

Governmental activities increased the City's net position by $46,896,929. Business-type activities increased the City's net position by $84,751,836. The key elements of these increases are contained in Table 2.

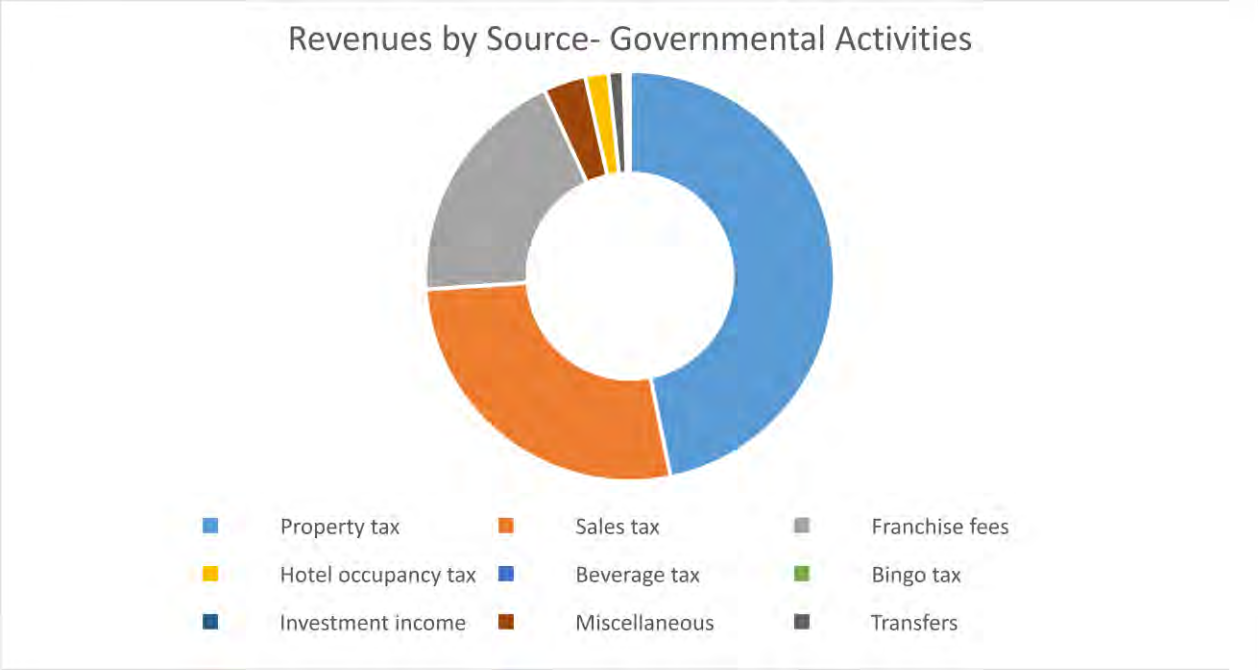
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	$ 18,752	$ 17,442	$ 470,926	$ 337,813	$ 489,678	$ 355,255
Operating grants and contributions	8,607	8,991	-	-	8,607	8,991
Capital grants and contributions	23,946	34,912	18,283	16,374	42,229	51,286
General Revenues:						
Property tax	78,244	75,432	-	-	78,244	75,432
Sales tax	45,405	39,338	-	-	45,405	39,338
Franchise tax	32,047	29,504	-	-	32,047	29,504
Hotel occupancy tax	3,075	2,142	-	-	3,075	2,142
Beverage tax	511	441	-	-	511	441
Bingo tax	15	14	-	-	15	14
Investment Income	326	2,999	264	6,100	590	9,099
Miscellaneous	5,550	4,111	112	232	5,662	4,343
Total revenues	216,478	215,326	489,585	360,519	706,063	575,845
Expenses:						
General government	37,403	37,922	-	-	37,403	37,922
Public safety	82,678	82,119	-	-	82,678	82,119
Public works	24,800	26,050	-	-	24,800	26,050
Parks and recreation	19,295	15,759	-	-	19,295	15,759
Interest on long-term debt	7,380	6,758	-	-	7,380	6,758
Electric	-	-	307,772	195,307	307,772	195,307
Water	-	-	28,429	32,013	28,429	32,013
Wastewater	-	-	32,248	31,018	32,248	31,018
Solid waste	-	-	32,735	32,371	32,735	32,371
Airport	-	-	1,674	1,707	1,674	1,707
Total expenses	171,556	168,608	402,858	292,416	574,414	461,024
Increase in net position before transfers	44,922	46,718	86,727	68,103	131,649	114,821
Transfers	1,975	1,297	(1,975)	(1,297)	-	-
Increase in net position	46,897	48,015	84,752	66,806	131,649	114,821
Net position at beginning of year	281,796	233,781	862,333	795,527	1,144,129	1,029,308
Net position at end of year	$328,693	$ 281,796	$ 947,085	$ 862,333	$ 1,275,778	$1,144,129

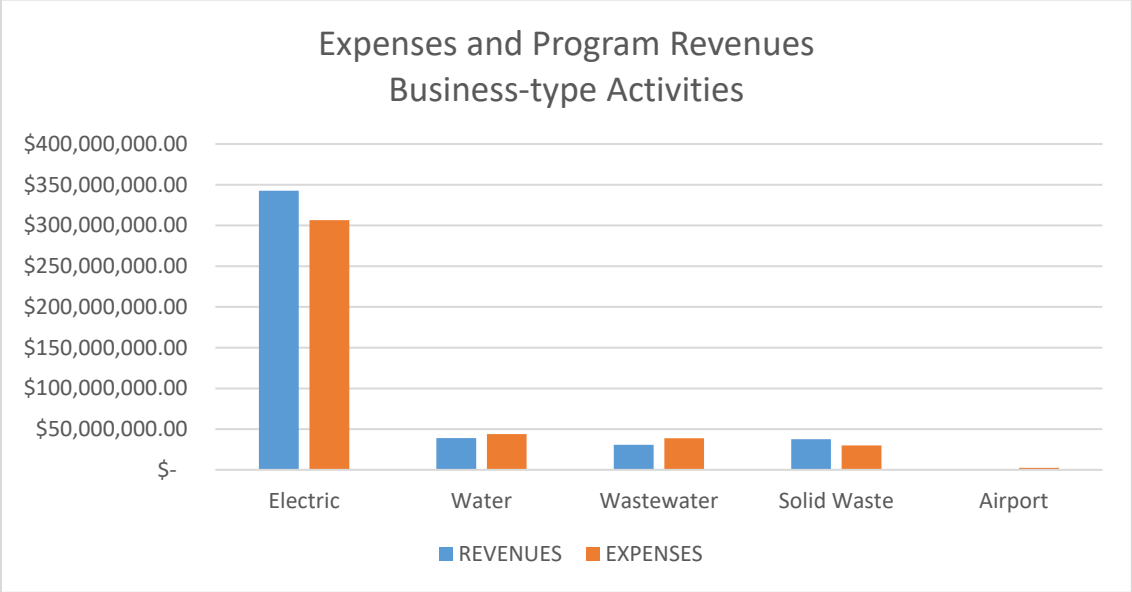
Governmental activities. Expenses for governmental activities reflect an increase of $2.9 million over the prior year. Increases includes $3.5 million for Parks and Recreation. This increase was offset by decreases of $1.3 million in Public Works and $5.5 million in Capital Outlay. The most significant governmental activities expense was in providing public safety, which incurred expenses of $82,678,373. The largest expense for public safety is the cost of personnel, which totaled $67,866,265. Last year the City added 8 new positions in public safety including 7.5 in the police department.



These expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are $78,243,553 for the fiscal year ended September 30, 2021. Governmental activities program revenues increased $11.8 million over the prior year. Charges for Services increase $1.3 million from Parks and Recreation and Public Safety as pandemic restrictions eased. These revenue increases were offset by decreases in Capital grants and contributions and operating grants and contributions. Operating grants and contributions decreased $0.4 million from funding for general government and public safety. Capital grants and contributions decreased $11.0 million from additional grant funding for public works transportation projects as projects were completed. Governmental activities general revenues included an increase of $2.8 million for property tax due to rising values and new construction. Franchise fee revenue increases of $2.5 million were offset by declines in investment income of $8.5 million as interest rates remained at historic lows. Transfers reflect a net $2.0 million transfer in for governmental activities for the current year.



Business-type activities. Business-type activities increased the City's net position by $84,751,836. This accounts for 74.24% of the growth in the entity-wide net position. All Utility service revenues increased by a total of $4.7 million. Electric charges for services increased by $125.5 million due to Storm Uri, which resulted in not only an increase in revenues but a large increase in expenses to offset. There were no rate adjustments for electric, water or wastewater customers for the fiscal year. Water charges for services decreased by $.07 million as compared to the service charges from prior year. Wastewater charges increased $0.2 million compared to the prior year. Solid Waste charges for service provided an increase of $1.5 million compared to the prior year. Airport charges for goods and services were unchanged from the prior year. Water and Wastewater collected $8.1 million and $5.6 million in impact fees, respectively, reflecting a $1.8 million increase over the prior year. Capital contributions, which arise from new property development within the City, represent a major revenue source for the Water and Wastewater funds during the current fiscal year. Capital contributions were $18.3 million during the year and represent a $1.9 million increase from the prior year. The Airport gas well revenues contributed an additional $0.4 million to the increase in net position, a decrease of $0.9 million from the prior year. Gas well revenues continue to decline as many wells in the City are being systematically plugged. Total enterprise funds operating costs, before depreciation, increased $136.3 million. Electric expenses accounts for 80.3 percent of total enterprise fund expenses due to Storm Uri in February 2021, which included an increase of operating expense-purchased power of $130.1 compared to prior year and administrative costs increased by $8.1 compared to prior year. Water expenses increased $2.9 million from the prior year, due to increased administrative costs of $3.1 million. Wastewater expenses increased by $1.4 million from the prior year, due to increased administrative costs of $0.9 million. Solid Waste operations increased $1.2 from the prior year, due to increased administrative costs of $0.8 million.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $228.1 million, an increase of $36.6 million in comparison with the prior year. $37,690,456 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the

fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted ($153.2 million), committed ($18.1 million), and assigned ($19.1 million).

The General Fund is the chief operating fund of the City. At September 30, 2021, the unassigned fund balance of the General Fund was $38.5 million, or 26.8% of budgeted general fund expenditures. Revenues were $11.9 million higher compared to the previous year primarily due to increases in taxes of $3.1 million. Licenses and permits increased $1.3 million from an update to the engineering and development review services fee structure to help recover costs. Intergovernmental revenue increased $3.7 million over the prior year due to a $3.3 million receipt of ARP Act funding. Franchise fees increased $2.5 million in part due $1.6 million increase in the Return on Investment (ROI) transfer percentage from the electric fund revenues. Parks and Recreation had an increase in charge for services of $1.1 million as business resumed to normal. The net change in General Fund expenditures was $3.1 million higher compared to the previous year primarily due to increased costs related to personnel services and operations. Personnel costs increased $3.5 million over the prior year. Public safety increased $3.2 million over the prior year due to the addition of 7.50 in the police department. The public safety increase was offset by decreases in general government of $2.2 million. Operations, services costs were down $2.2 million. These decreases were the result of government buildings, including libraries and recreation centers, being closed to the public sporadically and the majority of staff working from home the entire fiscal year. The libraries and recreation centers reopened with limited access and reduced hours the remainder of the year, with mandates

At the end of the fiscal year, the Capital Projects Fund has a total fund balance of $153.7 million, an increase of $28.4 million. The total fund balance is made up of $125.9 million in restricted funds, $8.7 million in committed funds, and $19.0 million in assigned funds, all for capital construction and acquisition. In 2021, the City received $75.6 million of proceeds from the issuance of debt and recognized $23.7 million of regional toll revenues from the Texas Department of Transportation, while expending $77.4 million on construction and acquisition. In addition, the capital projects fund received $10.6 million of transfers from other funding sources. The City also received approximately $10.0 million in developer's contributed capital recorded in the government-wide financial statements. This is $1.0 million more than in the prior year.

The Debt Service Fund has a total fund balance of $4.7 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall decrease in the debt service fund balance of $0.6 million resulted from a decrease in investment revenue as reinvestment rates on maturing investments and investment pools remained low.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2021 in proprietary funds are $97.7 million for Electric, $41.2 million for Water, $31.8 million for Wastewater, $3.5 million for Solid Waste, and $3.0 million for the Airport fund. The results reflect increases of the unrestricted net position in the Electric Fund of $28.2 million. The unrestricted net position decreased $4.5 million in the Water Fund and $1.4 million in the Wastewater fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2021, five formal amendments to adjust the City of Denton's Annual Program of Services were approved by Council. Council approved funding to provide for additional improvements and other administrative expenses. The additional funds increased the General Fund by $4.0 million for added transfer for Capital Projects, which included Athletic Field Lights as well as playground equipment. Additionally, Internal Service Fund additional funds increased by $2.6 million, which included additional appropriations for the Risk Retention Fund of $1.9 million to fund additional claims.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHT

For fiscal year 2021, General Fund actual expenditures (including transfers) on a budgetary basis were $143.1 million compared to the final budget of $143.5 million. The $0.4 million favorable variance was primarily due to increased costs in personnel services.

Personnel savings are due to reduced costs of $.07 million in general government, and $1.3 in interfund-transfers in the general government. These positive variances were offset by general government expenditures which were $3.2 million unfavorable to budget due in part to increased personal service in public safety. In addition to personnel savings, materials and supplies expenditures were favorable to budget for both general government of $0.4 million and public works of $.08million. These savings, as well as those for maintenance and repair costs, were the result of facility closures and program cutbacks due to the pandemic. Maintenance and repair costs were favorable to budget by $0.08 million for public works.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were $147.8 million compared to the final budget of $143.5 million. Included in the $4.3 favorable revenue variance was $9.5 million of increases sales and property taxes as well as fees for service increase of $1.6 million. These favorable variances were offset by declines of $2.0 million in fines and forfeitures, and $.6 million for franchise fees. Additional unfavorable variances to budget were $0.6 million for investment revenue.

The City of Denton's General Fund unassigned fund balance at September 30, 2021 is $38.5 million, or 26.8% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2021 unassigned fund balance.

	Actual 9/30/2021	Actual 9/30/2020
Unassigned balance	$38,499,992	$33,777,027
% of final budgeted expenditures	26.8%	24.7%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is comprised of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 18.04% compared to the prior year certified value, which showed an increase of 11.52%. The current property tax year included $469.0 million of new growth and construction that was added to the tax rolls in Tax year 2020 as compared to Tax year 2019. The fiscal year 2021 ad valorem tax rate remained unchanged at $0.590450 compared to the prior years' rate per $100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2021, the City had $1.9 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions and deductions) of $110.0 million or 6.2% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	$ 27,971	$ 26,974	$ 75,499	$ 68,353	$ 103,470	$ 95,327
Landfill improvements	-	-	1,674	2,999	1,674	2,999
Building and improvements	55,374	57,494	28,555	29,633	83,929	87,127
Plant, machinery and equipment	48,066	46,335	613,079	600,048	661,145	646,383
Water rights	-	-	47,349	48,045	47,349	48,045
Infrastructure	120,337	122,535	419,800	406,558	540,137	529,093
Construction in progress	265,258	196,305	179,885	167,866	445,143	364,171
Total capital assets	$ 517,006	$ 449,643	$ 1,365,841	$ 1,323,502	$ 1,882,847	$ 1,773,145

This year's major asset additions included:

Description	Amount
Jim Christal Substation	$ 22,437,876
Locust Substation Reconstruction	16,791,180
Masch Branch Substation	7,504,466
Vela Soccer Complex	6,649,361
Denton North-Arco Transmission Line Rebuild	6,271,562
Woodrow to Locust Transmission Line	5,555,700
Spencer Interchange Substation Reconstruction	4,795,723
Rayzor Ranch East Infrastructure	4,769,872
Loop 288 Property	5,415,539
Creekside Subdivision Infrastructure	2,894,209
Beall Way Subdivision Infrastructure	2,487,050
East Lake Park Land Acquisition	2,383,414
Country Lakes North Subdivision Infrastructure	2,334,381
Fireside Subdivision Infrastructure	2,081,287
Sherman Crossing Subdivision Infrastructure	2,038,881
Total	$ 94,410,501

Additional information on the City's capital assets can be found in note IV. D. on pages 51 - 53 of this report.

Debt. At year-end, the City had $1,197.9 million in bonds and notes outstanding as compared to $975.6 million at the end of the prior fiscal year, an increase of 22.79%, as shown in Table 4.

Table 4
Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	$ 193,377	$ 150,188	$ 110,803	$ 121,872	$ 304,180	$ 272,060
Certificates of obligation	115,145	99,295	437,255	396,900	552,400	496,195
Revenue bonds	-	-	341,330	207,310	341,330	207,310
Total	$ 308,522	$ 249,483	$ 889,388	$ 726,082	$ 1,197,910	$ 975,565

These amounts do not include net unamortized premiums/ (discounts) of $22,123,885 or net deferred gain/ (loss) on refunding of ($638,821).

During the current fiscal year, the City issued debt three times, November 2020, June 2021 and August 2021. The first debt issuance included $14.5 million in general obligations refunding bonds, of which $2.6 million was for enterprise operations and $.3 million is for governmental activities. Proceeds from this issuance were used to pay for various capital improvements. The second debt issuance included $97.0 million in certificates of obligation, of which $77.0 million was for enterprise operations and $20.0 million was for governmental activities. The third debt issuance included $142.0 million in utility system refunding bonds. Proceeds from this issuance were used to refund certificates of obligation issued during the Storm Uri, for the purchased power expenses due to the storm.

Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "A+". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A". The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.20%.

Other long-term liabilities. The City maintains a self-insurance program for general liability, auto liability, public officials' liability, errors and omission liability, police professional liability, and workers' compensation. Private insurance companies cover claims for property loss over $50,000 per occurrence, except for specific perils, these deductibles vary depending on location and property values, for workers' compensation losses over $600,000 per occurrence, and for liability over $500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of $3.4 million outstanding at year-end. Other obligations include pension liabilities, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. F., on pages 56 - 60 of this report.

The City's Electric Fund has a liability set up for claims and judgements of $4.0 million outstanding at year-end. More detailed information on this long-term liability can be found in note V.G. on page 85 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

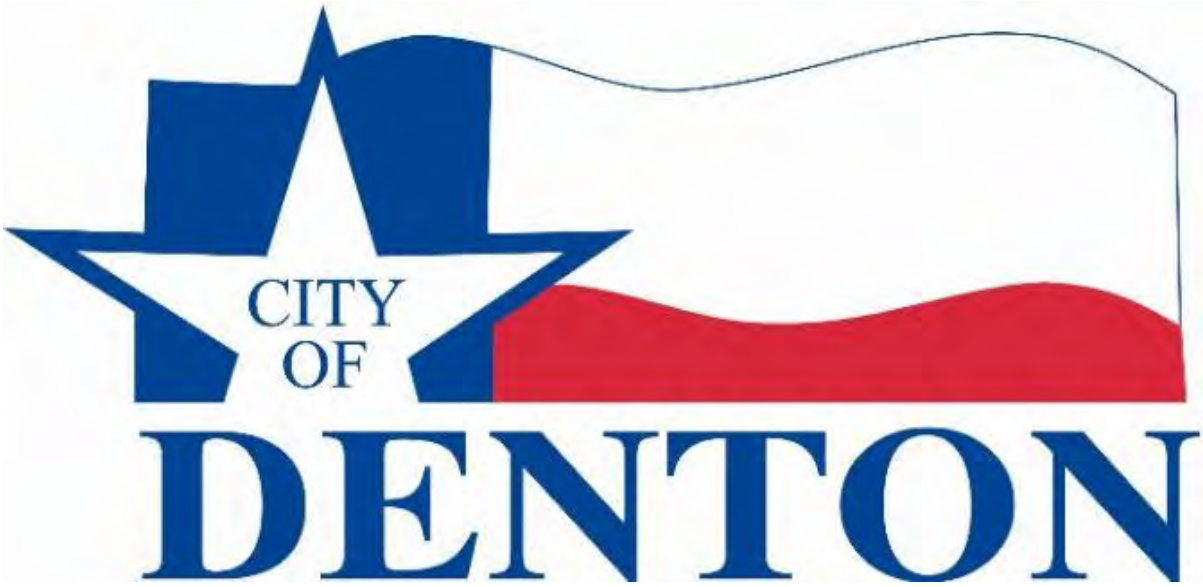
While growth for the Denton community is expected to be moderate in the short term, demands for city services are expected to remain strong over the long term. As a result, the fiscal year 2022 Budget includes an ad valorem tax rate of $0.5658234/$100 valuation which is a decrease from the prior year. While sales tax collections increased $6.1 million compared to the prior year (15.4%), the fiscal year 2022 Budget projects an increase of 1.8% from actual fiscal year 2021 sales tax revenue. Budgeted funding enhancements for fiscal year 2022 include $2.3 million for public safety. The fiscal year 2022 Budget included 18 approved supplements for additional staff, increase in operating contracts and capital.

The unemployment rate in City was 4.9 percent on September 30, 2021 compared to 6.9 percent as of September 30, 2020. The decline was due to a sharp increase during the COVID-19 global pandemic for fiscal year 2019-2020. Unemployment continues to improve reflected at 3.9 percent on October 31, 2021.

The fiscal year 2022 budget includes no rate changes for water, solid waste, electric or wastewater customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit I**
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash, cash equivalents and investments, at fair value	$ 90,429,371	$ 186,406,061	$ 276,835,432
Receivables, net of allowances:			
Taxes	9,670,131	-	9,670,131
Accounts	-	17,197,515	17,197,515
Unbilled utility service	-	16,768,677	16,768,677
Interest	110,109	232,183	342,292
Other	2,569,065	8,452,676	11,021,741
Internal balances	(15,725,047)	15,725,047	-
Due from other governments	6,445,643	-	6,445,643
Inventory	10,776,340	-	10,776,340
Prepaid items	42,754	15,626,053	15,668,807
Other Assets	-	159,784,143	159,784,143
Restricted assets:			
Cash, cash equivalents and investments, at fair value	228,748,444	194,285,424	423,033,868
Escrow deposits	216,000	-	216,000
Taxes	652,583	-	652,583
Accrued interest	275,075	241,999	517,074
Other receivables	90,190	-	90,190
Debt issuance costs - insurance	-	529,897	529,897
Capital assets not being depreciated	293,229,297	255,383,337	548,612,634
Capital assets, net of accumulated depreciation	223,776,822	1,110,457,535	1,334,234,357
Total assets	851,306,777	1,981,090,547	2,832,397,324
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	638,821	1,823,993	2,462,814
Deferred pension balances	20,638,408	6,064,084	26,702,492
Deferred other post-employment benefit balances	5,435,802	2,615,557	8,051,359
Total deferred outflows of resources	26,713,031	10,503,634	37,216,665
LIABILITIES:			
Accounts payable	13,604,931	10,859,158	24,464,089
Retainage payable	26,245	1,792,064	1,818,309
Deposits	378,075	4,159,545	4,537,620
Accrued interest	28,862	-	28,862
Due to other governments	344	-	344
Other liabilities	398,256	-	398,256
Unearned revenue	58,597,168	-	58,597,168
Payable from restricted assets:			
Accounts payable	11,125,995	5,382,467	16,508,462
Retainage payable	5,503,492	1,260,356	6,763,848
Accrued interest	1,558,147	6,197,485	7,755,632
Noncurrent liabilities:			
Noncurrent liabilities due within one year	35,256,382	57,912,246	93,168,628
Noncurrent liabilities due in more than one year	403,717,986	950,766,673	1,354,484,659
Total liabilities	530,195,883	1,038,329,994	1,568,525,877
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refundings	-	900,116	900,116
Deferred pension balances	17,472,817	4,476,864	21,949,681
Deferred other post-employment benefit balances	1,657,810	802,137	2,459,947
Total deferred inflows of resources	19,130,627	6,179,117	25,309,744
NET POSITION:			
Net investment in capital assets	324,398,859	716,242,869	1,040,641,728
Restricted for:			
Debt service	3,416,922	10,607,945	14,024,867
Parks and recreation	8,193,288	-	8,193,288
Capital acquisition	15,451,903	36,659,256	52,111,159
Other grants and purposes	4,785,770	-	4,785,770
Unrestricted	(27,553,444)	183,575,000	156,021,556
Total net position	$ 328,693,298	$ 947,085,070	$ 1,275,778,368

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	**$ 37,401,990**	**$ 8,038,235**	**$ 4,207,402**	**$ 981,418**
Public safety	**82,678,373**	**5,788,122**	**4,077,439**	**170,059**
Public works	**24,800,411**	**775,279**	**1,019**	**21,419,744**
Parks and recreation	**19,295,206**	**4,150,336**	**321,444**	**1,374,419**
Interest expense	**7,380,293**	**-**	**-**	**-**
Total governmental activities	**171,556,273**	**18,751,972**	**8,607,304**	**23,945,640**
Business-type activities:				
Electric system	**307,772,345**	**342,640,914**	**-**	**-**
Water system	**28,428,703**	**50,670,242**	**-**	**5,915,403**
Wastewater system	**32,247,857**	**38,393,521**	**-**	**12,367,488**
Solid waste	**32,734,938**	**37,635,030**	**-**	**-**
Airport	**1,674,412**	**1,586,333**	**-**	**-**
Total business-type activities	**402,858,255**	**470,926,040**	**-**	**18,282,891**
Total primary government	**$ 574,414,528**	**$ 489,678,012**	**$ 8,607,304**	**$ 42,228,531**

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:			
Governmental activities:			
General government	**$ (24,174,935)**	**$ -**	**$ (24,174,935)**
Public safety	**(72,642,753)**	**-**	**(72,642,753)**
Public works	**(2,604,369)**	**-**	**(2,604,369)**
Parks and recreation	**(13,449,007)**	**-**	**(13,449,007)**
Interest expense	**(7,380,293)**	**-**	**(7,380,293)**
Total governmental activities	**(120,251,357)**	**-**	**(120,251,357)**
Business-type activities:			
Electric system	**-**	**34,868,569**	**34,868,569**
Water system	**-**	**28,156,942**	**28,156,942**
Wastewater system	**-**	**18,513,152**	**18,513,152**
Solid waste	**-**	**4,900,092**	**4,900,092**
Airport	**-**	**(88,079)**	**(88,079)**
Total business-type activities	**-**	**86,350,676**	**86,350,676**
Total primary government	**(120,251,357)**	**86,350,676**	**(33,900,681)**
General revenues:			
Taxes:			
Property tax	**78,243,553**	**-**	**78,243,553**
Sales tax	**45,404,857**	**-**	**45,404,857**
Franchise fees	**32,047,074**	**-**	**32,047,074**
Hotel occupancy tax	**3,074,942**	**-**	**3,074,942**
Beverage tax	**511,326**	**-**	**511,326**
Bingo tax	**14,681**	**-**	**14,681**
Investment income	**326,158**	**264,722**	**590,880**
Gain on sale of capital assets	**(16,435)**	**111,870**	**95,435**
Miscellaneous	**5,566,698**	**-**	**5,566,698**
Transfers	**1,975,432**	**(1,975,432)**	**-**
Total general revenues and transfers	**167,148,286**	**(1,598,840)**	**165,549,446**
Change in net position	**46,896,929**	**84,751,836**	**131,648,765**
Net position at beginning of year	**281,796,369**	**862,333,234**	**1,144,129,603**
Net position at end of year	**$ 328,693,298**	**$ 947,085,070**	**$ 1,275,778,368**

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit III**
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, cash equivalents and investments, at fair value	$ 30,103,279	$ 4,631,735	$ 217,088,698	$ 11,639,577	$ 32,531,221	$ 295,994,510
Receivables, net of allowances for uncollectibles:						
Taxes	9,670,131	366,427	-	-	286,156	10,322,714
Accrued interest	38,801	5,769	270,401	9,369	33,283	357,623
Other	1,912,301	-	-	-	126,080	2,038,381
Interfund receivables	1,274,970	-	-	-	-	1,274,970
Due from other governments	3,179,798	-	739,833	-	2,526,012	6,445,643
Total assets	$ 46,179,280	$ 5,003,931	$ 218,098,932	$ 11,648,946	$ 35,502,752	$ 316,433,841
LIABILITIES:						
Accounts payable	5,650,453	-	11,465,308	1,608	2,830,026	19,947,395
Retainage payable	-	-	5,501,554	-	28,183	5,529,737
Interfund payables	-	-	-	-	553,587	553,587
Due to other governments	344	-	-	-	-	344
Other liabilities	398,256	-	-	-	-	398,256
Unearned revenues	50,670	-	46,869,071	11,647,338	30,089	58,597,168
Total liabilities	6,099,723	-	63,835,933	11,648,946	3,441,885	85,026,487
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	634,115	323,189	-	-	-	957,304
Unavailable revenue - general services	627,171	-	-	-	8,697	635,868
Unavailable revenue - intergovernmental	318,279	-	594,266	-	817,200	1,729,745
Total deferred inflows of resources	1,579,565	323,189	594,266	-	825,897	3,322,917
FUND BALANCES:						
Restricted for:						
Debt service	-	4,680,742	-	-	-	4,680,742
Parks and recreation	-	-	8,295,471	-	7,470,306	15,765,777
Streets and drainage projects	-	-	48,325,848	-	10,383,361	58,709,209
Other capital projects	-	-	69,314,699	-	-	69,314,699
Other grants and purposes	-	-	-	-	4,771,982	4,771,982
Committed to:						
Streets	-	-	8,313,683	-	4,503,638	12,817,321
Parks and recreation	-	-	141,333	-	276,822	418,155
Other purposes	-	-	264,422	-	4,638,126	4,902,548
Assigned to:						
Streets and drainage projects	-	-	8,402,327	-	-	8,402,327
Capital projects	-	-	10,610,950	-	-	10,610,950
Other purposes		-	-	-	271	271
Unassigned	38,499,992	-	-	-	(809,536)	37,690,456
Total fund balances	38,499,992	4,680,742	153,668,733	-	31,234,970	228,084,437
Total liabilities, deferred inflows of resources and fund balances	$ 46,179,280	$ 5,003,931	$ 218,098,932	$ 11,648,946	$ 35,502,752	$ 316,433,841

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IV**
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021

Total fund balances - governmental funds (Exhibit III)			**$ 228,084,437**
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.			**517,006,119**
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			**3,322,917**
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred loss on refundings	**$**	**638,821**	
Deferred pension balances		**20,638,408**	
Deferred other post-employment benefits contributions		**5,435,802**	**26,713,031**
An internal charge to business-type activities is not recorded at the fund level.			**(6,446,430)**
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:			
Current and other assets	**$**	**34,866,834**	
Liabilities		**(20,920,901)**	**13,945,933**
Long-term balances, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:			
General obligation bonds payable	**$**	**(193,376,855)**	
Certificates of obligation payable		**(115,145,000)**	
Bond (premiums)/discounts		**(22,123,885)**	
Accrued interest on the bonds		**(1,587,009)**	
Net Pension Liability		**(51,146,801)**	
Total other post-employment benefits liability		**(36,195,664)**	
Compensated absences		**(15,226,868)**	**(434,802,082)**
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred pension balances and			
Deferred other post-employment benefits contributions			**(19,130,627)**
Total net position of governmental activities (Exhibit I)			**$ 328,693,298**

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS **Exhibit V**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 95,276,289	$ 27,174,294	$ -	$ -	$ 4,664,888	$ 127,115,471
Licenses and permits	5,939,320	-	-	-	-	5,939,320
Franchise fees	17,961,984	-	-	-	14,085,090	32,047,074
Fines and forfeitures	1,572,587	-	-	-	17,829	1,590,416
Fees for services	9,354,890	-	-	-	2,717,228	12,072,118
Investment revenue	160,094	155,984	(42,454)	-	52,534	326,158
Intergovernmental	4,166,856	-	12,640,204	6,136	6,201,537	23,014,733
Miscellaneous	385,998	-	205,918	-	5,164,522	5,756,438
Total revenues	134,818,018	27,330,278	12,803,668	6,136	32,903,628	207,861,728
EXPENDITURES:						
Current:						
General government	26,460,924	-	34,500	6,136	7,501,423	34,002,983
Public safety	80,847,727	-	43,385	-	958,804	81,849,916
Public works	2,919,114	-	-	-	10,738,586	13,657,700
Parks and recreation	11,259,612	-	113,717	-	5,382,733	16,756,062
Capital outlay	476,296	-	76,917,410	-	3,479,826	80,873,532
Debt service:						
Principal retirement	-	19,768,191	-	-	-	19,768,191
Bond issuance costs	-	10,123	267,184	-	-	277,307
Interest and other charges	-	8,973,021	-	-	-	8,973,021
Total expenditures	121,963,673	28,751,335	77,376,196	6,136	28,061,372	256,158,712
Excess (deficiency) of revenues over (under) expenditures	12,854,345	(1,421,057)	(64,572,528)	-	4,842,256	(48,296,984)
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	1,415,000	-	-	-	1,415,000
Payment to refunded bond escrow agent	-	(1,691,409)	-	-	-	(1,691,409)
Issuance of long-term debt	-	-	75,600,000	-	-	75,600,000
Premium on debt issuance	-	290,223	6,808,598	-	-	7,098,821
Sale of capital assets	326,682	-	-	-	-	326,682
Transfers in	33,964	762,923	10,602,481	-	4,950,585	16,349,953
Transfers out	(8,497,210)	-	-	-	(5,759,933)	(14,257,143)
Total other financing sources (uses)	(8,136,564)	776,737	93,011,079	-	(809,348)	84,841,904
Net change in fund balances	4,717,781	(644,320)	28,438,551	-	4,032,908	36,544,920
Fund balance at beginning of year	33,782,211	5,325,062	125,230,182	-	27,202,062	191,539,517
Fund balances at end of year	$ 38,499,992	$ 4,680,742	$ 153,668,733	$ -	$ 31,234,970	$ 228,084,437

The notes to the basic financial statements are an integral part of this statement.

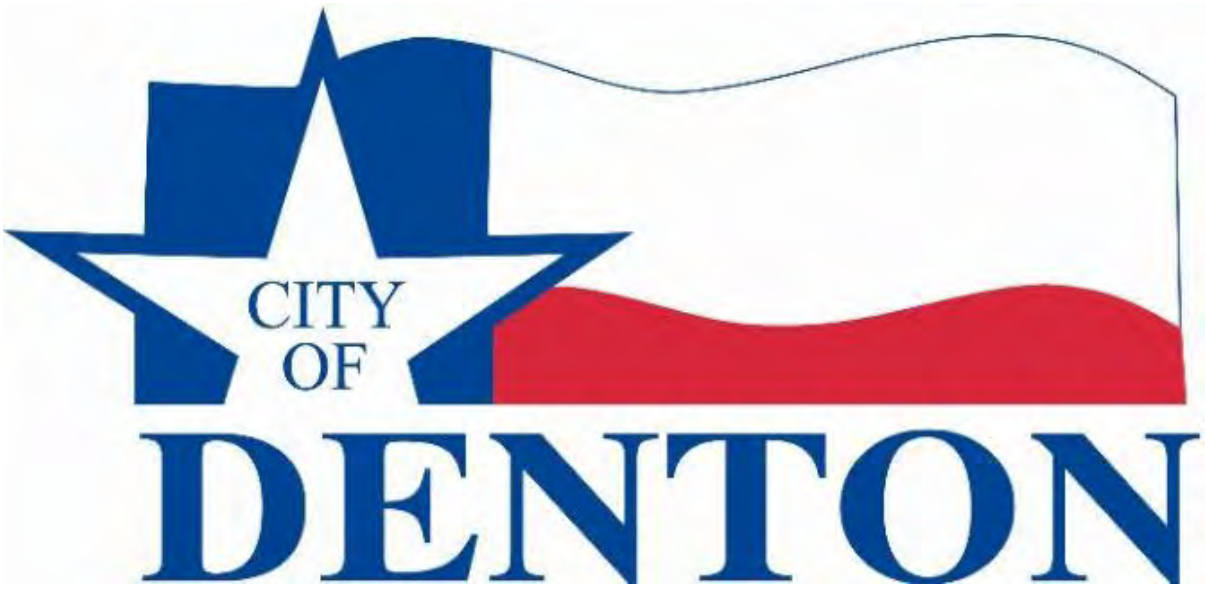
CITY OF DENTON, TEXAS **Exhibit VI**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds (Exhibit V)	**$**	**36,544,920**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between capital outlay of $80,873,532 and depreciation of $19,801,536 (which is the net of overall governmental activities depreciation of $23,717,944 less internal service fund depreciation of $3,916,408).		**61,071,996**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.		**(1,332,039)**
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.		**9,217,514**
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.		**(55,591,809)**
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials.		**(4,993,485)**
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		**2,603,175**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is $886,693.		**(623,343)**
Change in net position of governmental activities (Exhibit II)	**$**	**46,896,929**

The notes to the basic financial statements are an integral part of this statement.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CITY OF DENTON, TEXAS **Exhibit VII**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 85,756,645	$ 85,756,645	$ 95,276,289	$ -	$ 95,276,289	$ 9,519,644
Licenses and permits	6,122,621	6,122,621	5,939,320	-	5,939,320	(183,301)
Franchise fees	18,576,073	18,576,073	17,961,984	-	17,961,984	(614,089)
Fines and forfeitures	3,534,817	3,534,817	1,572,587	-	1,572,587	(1,962,230)
Fees for services	7,767,089	7,767,089	9,354,890	-	9,354,890	1,587,801
Investment revenue	786,163	786,163	160,094	-	160,094	(626,069)
Intergovernmental	4,283,569	4,283,569	4,166,856	-	4,166,856	(116,713)
Miscellaneous	436,182	436,182	385,998	-	385,998	(50,184)
Total revenues	127,263,159	127,263,159	134,818,018	-	134,818,018	7,554,859
EXPENDITURES:						
Current:						
General government	30,942,330	25,911,960	26,460,924	6,836,910	33,297,834	(7,385,874)
Public safety	75,261,615	75,095,553	80,847,727	(4,854,439)	75,993,288	(897,735)
Public works	2,784,353	2,784,353	2,919,114	(124,626)	2,794,488	(10,135)
Parks and recreation	11,355,859	11,222,662	11,259,612	(429,687)	10,829,925	392,737
Capital outlay	599,217	599,217	476,296	-	476,296	122,921
Total expenditures	120,943,374	115,613,745	121,963,673	1,428,158	123,391,831	(7,778,086)
Excess (deficiency) of revenues over (under) expenditures	6,319,785	11,649,414	12,854,345	(1,428,158)	11,426,187	(223,227)
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	64,408	64,408	326,682	-	326,682	262,274
Transfer in	12,898,936	16,221,277	33,964	12,615,171	12,649,135	(3,572,142)
Transfers out	(22,605,470)	(27,935,099)	(8,497,210)	(11,187,013)	(19,684,223)	8,250,876
Total other financing sources (uses)	(9,642,126)	(11,649,414)	(8,136,564)	1,428,158	(6,708,406)	4,941,008
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(3,322,341)	-	4,717,781	-	4,717,781	4,717,781
Fund balances at beginning of year	33,782,211	33,782,211	33,782,211	-	33,782,211	-
Fund balance at end of year	$ 30,459,870	$ 33,782,211	$ 38,499,992	$ -	$ 38,499,992	$ 4,717,781

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 87,073,258	$ 46,204,112	$ 38,600,494
Receivables, net of allowances:			
Accounts	11,667,331	2,253,314	1,476,363
Unbilled utility service	10,522,888	2,639,141	1,685,104
Accrued interest	108,457	57,551	48,080
Other	8,302,122	-	-
Interfund receivables	7,714,503	1,242,821	321,293
Merchandise inventory	-	-	-
Prepaid items	15,626,053	-	-
Other Assets	159,784,143	-	-
Total current assets	300,798,755	52,396,939	42,131,334
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	75,588,268	48,229,400	47,806,012
Escrow deposit	-	-	-
Accrued interest	94,152	60,074	59,546
Total restricted assets	75,682,420	48,289,474	47,865,558
Unamortized debt issuance costs - insurance	529,897		
Capital assets, net of accumulated depreciation	694,876,733	323,648,772	275,367,251
Total noncurrent assets	771,089,050	371,938,246	323,232,809
Total assets	1,071,887,805	424,335,185	365,364,143
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	725,434	1,004,019	10,891
Deferred pension balances	2,577,846	1,092,807	1,079,056
Deferred other post employment benefit balances	946,467	494,658	523,241
Total deferred outflows of resources	4,249,747	2,591,484	1,613,188
LIABILITIES:			
Current liabilities:			
Accounts payable	5,722,971	2,080,452	1,418,457
Retainage payable	-	1,082,064	539,648
Claims payable	-	-	-
Compensated absences payable	1,223,223	425,731	368,864
Deposits	3,390,979	469,500	103,009
Accrued interest	-	-	-
Interfund payables	-	-	-
Payable from restricted assets:			
Accounts payable	774,728	23,532	3,912,354
Retainage payable	138,782	688,008	401,841
Accrued interest	5,348,162	397,337	310,042
Certificate, general obligation, and revenue bonds	35,713,893	9,224,854	5,324,475
Total current liabilities paid from restricted assets	41,975,565	10,333,731	9,948,712
Total current liabilities	52,312,738	14,391,478	12,378,690

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 11,185,805	$ 3,342,392	$ 186,406,061	$ 19,010,366
Receivables, net of allowances:				
Accounts	1,738,786	61,721	17,197,515	-
Unbilled utility service	1,921,544	-	16,768,677	-
Accrued interest	13,932	4,163	232,183	22,364
Other	-	150,554	8,452,676	620,874
Interfund receivables	-	-	9,278,617	-
Merchandise inventory	-	-	-	10,776,340
Prepaid items	-	-	15,626,053	42,754
Other Assets	-	-	159,784,143	-
Total current assets	14,860,067	3,558,830	413,745,925	30,472,698
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	21,284,190	1,377,554	194,285,424	4,172,939
Escrow deposit	-	-	-	216,000
Accrued interest	26,511	1,716	241,999	5,197
Total restricted assets	21,310,701	1,379,270	194,527,423	4,394,136
Unamortized debt issuance costs - insurance	-	-	529,897	-
Capital assets, net of accumulated depreciation	55,503,204	16,444,912	1,365,840,872	14,471,606
Total noncurrent assets	76,813,905	17,824,182	1,560,898,192	18,865,742
Total assets	91,673,972	21,383,012	1,974,644,117	49,338,440
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	83,649	-	1,823,993	1,861
Deferred pension balances	1,265,346	49,029	6,064,084	2,796,107
Deferred other post employment benefit balances	624,103	27,088	2,615,557	1,097,214
Total deferred outflows of resources	1,973,098	76,117	10,503,634	3,895,182
LIABILITIES:				
Current liabilities:				
Accounts payable	1,617,484	19,794	10,859,158	4,783,531
Retainage payable	170,352	-	1,792,064	-
Claims payable	-	-	-	2,803,533
Compensated absences payable	512,806	18,941	2,549,565	1,127,258
Deposits	177,748	18,309	4,159,545	378,075
Accrued interest	-	-	-	28,862
Interfund payables	-	-	-	10,000,000
Payable from restricted assets:				
Accounts payable	671,853	-	5,382,467	-
Retainage payable	31,725	-	1,260,356	-
Accrued interest	141,944	-	6,197,485	-
Certificate, general obligation, and revenue bonds	5,099,459	-	55,362,681	577,556
Total current liabilities paid from restricted assets	5,944,981	-	68,202,989	577,556
Total current liabilities	8,423,371	57,044	87,563,321	19,698,815

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	$ 57,506,505	31,015,742	$ 3,078,054
Certificates of obligation	329,855,023	38,868,752	55,629,977
Revenue bonds payable	351,738,788	-	-
Compensated absences payable	263,123	47,366	50,109
Claims and judgement payable	4,000,000	-	-
Net pension liability	11,732,066	3,859,209	4,287,079
Total other post-employment benefits liability	6,388,869	3,473,746	3,766,834
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	761,484,374	77,264,815	66,812,053
Total liabilities	813,797,112	91,656,293	79,190,743
DEFERRED INFLOWS OF RESOURCES:			
Deferred charges on refundings	599,891	186,315	77,507
Deferred pension balances	1,867,601	829,276	825,665
Deferred other post employment benefit balances	291,307	156,419	167,791
Total deferred inflows of resources	2,758,799	1,172,010	1,070,963
NET POSITION:			
Net investment in capital assets	151,275,329	269,284,544	243,280,959
Restricted for debt service	10,607,945	-	-
Restricted for capital acquisition	-	23,650,518	11,629,468
Unrestricted	97,698,367	41,163,304	31,805,198
Total net position	$ 259,581,641	$ 334,098,366	$ 286,715,625

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
Noncurrent liabilities:				
General obligation bonds payable	$ 5,052,135	$ -	$ 96,652,436	$ 63,040
Certificates of obligation	18,055,995	-	442,409,747	4,699,093
Revenue bonds payable	-	-	351,738,788	
Compensated absences payable	133,433	1,449	495,480	154,560
Claims and judgement payable	-	-	4,000,000	2,955,762
Net pension liability	5,335,246	350,792	25,564,392	8,590,103
Total other post-employment benefits liability	3,988,203	212,092	17,829,744	7,125,955
Landfill closure/postclosure costs	12,076,086	-	12,076,086	-
Total noncurrent liabilities	44,641,098	564,333	950,766,673	23,588,513
Total liabilities	53,064,469	621,377	1,038,329,994	43,287,328
DEFERRED INFLOWS OF RESOURCES:				
Deferred charges on refundings	36,403	-	900,116	-
Deferred pension balances	926,566	27,756	4,476,864	2,196,645
Deferred other post employment benefit balances	178,010	8,610	802,137	349,594
Total deferred inflows of resources	1,140,979	36,366	6,179,117	2,546,239
NET POSITION:				
Net investment in capital assets	35,957,125	16,444,912	716,242,869	13,310,313
Restricted for debt service	-	-	10,607,945	-
Restricted for capital acquisition	-	1,379,270	36,659,256	-
Unrestricted	3,484,497	2,977,204	177,128,570	(5,910,258)
Total net position	$ 39,441,622	$ 20,801,386	$ 940,638,640	$ 7,400,055
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			6,446,430	
Net position of business-type activities (Exhibit I)			$ 947,085,070	

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	$ 338,028,765	$ 37,679,185	$ 29,019,457
Charges for goods and services	-	-	-
Other fees	4,612,149	1,281,613	1,756,271
Miscellaneous	-	-	-
Total operating revenues	342,640,914	38,960,798	30,775,728
OPERATING EXPENSES:			
Operating expenses before depreciation	281,694,198	20,827,979	22,455,450
Depreciation	25,195,461	9,191,697	9,167,168
Total operating expenses	306,889,659	30,019,676	31,622,618
Operating income (loss)	35,751,255	8,941,122	(846,890)
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	30,142	79,637	77,310
Interest expense and fiscal charges	(19,785,769)	(82,491)	(543,017)
Impact fee revenue	-	11,709,444	7,617,793
Gain (loss) on disposal of capital assets	(685,769)	38,492	73,378
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	20,003,206	1,801,062	49,906
Total non-operating revenues (expenses)	(438,190)	13,546,144	7,275,370
Income (loss) before contributions and transfers	35,313,065	22,487,266	6,428,480
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	5,915,403	12,367,488
Transfers in	-	28,239	-
Transfers out	(818,720)	(245,539)	(146,351)
Total contributions and transfers	(818,720)	5,698,103	12,221,137
Change in net position	34,494,345	28,185,369	18,649,617
Net position at beginning of year	225,087,296	305,912,997	268,066,008
Total net position at end of year	$ 259,581,641	$ 334,098,366	$ 286,715,625

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Utility services	$ 37,438,981	$ 1,158,727	$ 443,325,115	$ -
Charges for goods and services	-	-	-	91,820,424
Other fees	196,049	-	7,846,082	-
Miscellaneous	-	5,563	5,563	2,061,774
Total operating revenues	37,635,030	1,164,290	451,176,760	93,882,198
OPERATING EXPENSES:				
Operating expenses before depreciation	24,803,777	1,155,443	350,936,847	91,321,322
Depreciation	6,413,322	668,570	50,636,218	3,916,408
Total operating expenses	31,217,099	1,824,013	401,573,065	95,237,730
Operating income (loss)	6,417,931	(659,723)	49,603,695	(1,355,532)
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	62,530	15,103	264,722	6,189
Interest expense and fiscal charges	(640,523)	-	(21,051,800)	(51,862)
Impact fee revenue	-	-	19,327,237	-
Gain (loss) on disposal of capital assets	(673,128)	-	(1,247,027)	-
Gas well revenues	-	422,043	422,043	-
Other non-operating revenues (expenses)	1,026	157,000	22,012,200	8,547
Total non-operating revenues (expenses)	(1,250,095)	594,146	19,727,375	(37,126)
Income (loss) before contributions and transfers	5,167,836	(65,577)	69,331,070	(1,392,658)
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	-	18,282,891	-
Transfers in	19,750	112	48,101	300,000
Transfers out	-	(812,923)	(2,023,533)	(417,378)
Total contributions and transfers	19,750	(812,811)	16,307,459	(117,378)
Change in net position	5,187,586	(878,388)	85,638,529	(1,510,036)
Net position at beginning of year	34,254,036	21,679,774	855,000,111	8,910,091
Total net position at end of year	$ 39,441,622	$ 20,801,386	$ 940,638,640	$ 7,400,055

Change in fund net position of proprietary funds	85,638,529
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.	(886,693)
Change in net position of business-type activities (Exhibit II)	$ 84,751,836

The notes to the basic financial statements are an integral part of this statement. (concluded)

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 343,097,515	$ 38,666,556	$ 30,618,907
Cash paid to employees for services	(18,142,661)	(7,571,939)	(8,040,825)
Cash paid to suppliers	(404,661,742)	(15,541,715)	(11,329,850)
Net cash provided (used) by operating activities	(79,706,888)	15,552,902	11,248,232
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(790,481)	(245,539)	(146,351)
Transfers in	-	-	-
Other nonoperating revenues	4,873,450	-	-
Other nonoperating expenses	(6,037,368)	-	-
Proceeds from issuance of non-capital debt	522,247,000	-	-
Principal payments on non-capital debt	(386,667,000)	-	-
Interest and fiscal charges on non-capital debt	(1,585,176)	-	-
Net cash provided (used) by noncapital financing activities:	132,040,425	(245,539)	(146,351)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	53,194,393	18,890,028	18,226,964
Principal payments on capital debt	(36,180,000)	(8,440,000)	(4,810,000)
Interest and fiscal charges	(24,449,494)	(975,637)	(982,088)
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	11,709,444	7,617,793
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale or reimbursement of capital assets	75,976	38,491	73,378
Acquisition and construction of capital assets	(23,929,558)	(21,470,075)	(18,881,721)
Net cash provided (used) by capital financing activities	(31,288,683)	(247,749)	1,244,326
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	94,002,556	57,867,687	54,176,241
Purchase of investment securities	(100,991,029)	(63,758,658)	(58,664,211)
Interest received on investments	176,750	157,598	152,163
Net cash provided (used) by investing activities	(6,811,723)	(5,733,373)	(4,335,807)
Net increase (decrease) in cash and cash equivalents	14,233,131	9,326,241	8,010,400
Cash and cash equivalents at beginning of year	51,907,445	29,071,818	27,123,760
Cash and cash equivalents at end of year	66,140,576	38,398,059	35,134,160
Investments, at fair value (Note IV.A.)	96,520,950	56,035,453	51,272,346
Cash, cash equivalents and investments, at fair value	$ 162,661,526	$ 94,433,512	$ 86,406,506
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 35,751,255	$ 8,941,122	$ (846,890)
Adjustments:			
Depreciation expense	25,195,461	9,191,697	9,167,168
Decrease (Increase) in receivables	1,577,835	(42,148)	(49,730)
Decrease (Increase) in interfund receivables	(1,268,873)	(252,094)	(107,091)
Decrease (Increase) in inventories	-	-	-
Decrease (Increase) in customer deposits	147,639	-	-
Decrease (Increase) in prepaid items	(6,757,402)	-	-
Decrease (Increase) in other assets	(134,101,452)	-	-
Increase in escrow deposits	-	-	-
Increase (Decrease) in accounts payable	(64,716)	(2,240,470)	3,137,629
Increase (Decrease) in compensated absences payable	121,596	49,485	26,102
Increase (Decrease) in net municipal pension balances	(683,149)	(294,697)	(290,418)
Increase (Decrease) in other post-employment benefit balances	374,918	200,007	211,462
Increase (Decrease) in closure/postclosure liability	-	-	-
Increase (Decrease) in interfund payables	-	-	-
Total adjustments	(115,458,143)	6,611,780	12,095,122
Net cash provided (used) by operating activities	$ (79,706,888)	$ 15,552,902	$ 11,248,232
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(646,586)	(358,729)	(336,427)
Increase (Decrease) in equity due to non-cash transfers	(28,239)	28,239	-
Capital asset contributions	-	5,915,403	12,367,488

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 37,461,314	$ 1,139,414	$ 450,983,706	$ 94,170,742
Cash paid to employees for services	(10,450,777)	(361,250)	(44,567,452)	(20,833,850)
Cash paid to suppliers	(12,315,166)	(835,014)	(444,683,487)	(70,886,187)
Net cash provided (used) by operating activities	14,695,371	(56,850)	(38,267,233)	2,450,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	-	(812,923)	(1,995,294)	(417,378)
Transfers in	19,750	112	19,862	300,000
Other nonoperating revenues	-	-	4,873,450	-
Other nonoperating expenses	-	-	(6,037,368)	-
Proceeds from issuance of non-capital debt	-	-	522,247,000	-
Principal payments on non-capital debt	-	-	(386,667,000)	-
Interest and fiscal charges on non-capital debt	-	-	(1,585,176)	-
Net cash provided (used) by noncapital financing activities:	19,750	(812,811)	130,855,474	(117,378)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	-	-	90,311,385	4,204,191
Principal payments on capital debt	(6,016,711)	-	(55,446,711)	(414,137)
Interest and fiscal charges	(849,246)	-	(27,256,465)	(32,807)
Proceeds from gas wells	-	344,568	344,568	-
Proceeds from impact fees	-	-	19,327,237	-
Proceeds from capital contributions and transfers in	-	-	-	6,074
Proceeds from sale or reimbursement of capital assets	-	-	187,845	-
Acquisition and construction of capital assets	(9,523,800)	(312,721)	(74,117,875)	(987,778)
Net cash provided (used) by capital financing activities	(16,389,757)	31,847	(46,650,016)	2,775,543
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	28,004,376	5,555,232	239,606,092	13,075,456
Purchase of investment securities	(25,725,000)	(4,852,367)	(253,991,265)	(15,529,710)
Interest received on investments	106,127	22,890	615,528	44,275
Net cash provided (used) by investing activities	2,385,503	725,755	(13,769,645)	(2,409,979)
Net increase (decrease) in cash and cash equivalents	710,867	(112,059)	32,168,580	2,698,891
Cash and cash equivalents at beginning of year	12,492,268	2,031,258	122,626,549	7,354,599
Cash and cash equivalents at end of year	13,203,135	1,919,199	154,795,129	10,053,490
Investments, at fair value (Note IV.A.)	19,266,860	2,800,747	225,896,356	13,129,815
Cash, cash equivalents and investments, at fair value	$ 32,469,995	$ 4,719,946	$ 380,691,485	$ 23,183,305
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 6,417,931	$ (659,723)	$ 49,603,695	$ (1,355,532)
Adjustments:				
Depreciation expense	6,413,322	668,570	50,636,218	3,916,408
Decrease (Increase) in receivables	(127,614)	(24,763)	1,333,580	49,219
Decrease (Increase) in interfund receivables	-	-	(1,628,058)	-
Decrease (Increase) in inventories	-	-	-	(2,233,958)
Decrease (Increase) in customer deposits	(46,102)	-	101,537	-
Decrease (Increase) in prepaid items	-	-	(6,757,402)	(25,030)
Decrease (Increase) in other assets	-	-	(134,101,452)	-
Increase in escrow deposits	-	-	-	(10,000)
Increase (Decrease) in accounts payable	1,320,047	(40,458)	2,112,032	402,989
Increase (Decrease) in compensated absences payable	98,615	2,578	298,376	(223,492)
Increase (Decrease) in net municipal pension balances	(342,765)	(24,066)	(1,635,095)	(371,899)
Increase (Decrease) in other post-employment benefit balances	259,289	21,012	1,066,688	472,411
Increase (Decrease) in closure/postclosure liability	702,648	-	702,648	-
Increase (Decrease) in interfund payables	-	-	-	1,829,589
Total adjustments	8,277,440	602,873	(87,870,928)	3,806,237
Net cash provided (used) by operating activities	$ 14,695,371	$ (56,850)	$ (38,267,233)	$ 2,450,705
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(162,424)	(26,984)	(1,531,150)	(74,521)
Increase (Decrease) in equity due to non-cash transfers	-	-	-	-
Capital asset contributions	-	-	18,282,891	-

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons govern the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2021.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized, and susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Any amounts collected beyond the 60 days are recorded as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City’s primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary-basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

The ARPA fund accounts for the federal resources received by the City from the American Rescue Plan Act of 2021 and used for the programs as outlined by the plan.

Other governmental funds are a summarization of all of the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

The materials management fund accounts for the financing of the goods and services of the purchasing department as well as the management and inventory of the City warehouse activities.

The fleet services fund accounts for the financing of goods and services provided by the activities of the City garage and machine shop to other departments.

The health insurance fund accounts for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, and dental and vision insurances.

The risk retention fund accounts for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City departments.

The technology services fund accounts for financing and management of technology equipment, software, and services such as programming, support, training, maintenance, and office services to City departments.

The engineering services fund accounts for providing engineering, real estate, public works inspection, and development review services primarily to City departments although some services are provided to and paid by external entities.

The customer service fund accounts for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

The facilities fund accounts for the maintenance of all city-owned facilities and vertical construction projects.

The City does not have any fiduciary funds as of fiscal year ending September 30, 2021.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Recreation Fund, Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds that is generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all of the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds on a monthly basis.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September, but not billed at September 30, 2021.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. Most of these balances are due to payments into an account for energy settlements in the Electric Fund and health claims in the Employee Insurance Fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In a prior fiscal year the City fully impaired its TMPA prepaid purchase power due to a permanent closure in generation and subsequent sale of the plant. The impaired amount was recorded as an Other Asset (regulatory) to be amortized over 7.5 years in the electric fund, of which 3.5 years is remaining in the electric fund to be recovered through rate revenues. See note IV.F. for more information on Other Assets and V.E. *Agreement with TMPA* for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and also shown as restricted on the balance sheet of the Water and Wastewater funds.

7. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if

purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities and enterprise funds is included as part of the capitalized value of the assets constructed. For 2021, net interest capitalization of $1,080,703 was recorded for electric fund projects, $1,592,593 for water fund projects, $831,283 for wastewater fund projects, and $59,061 for solid waste fund projects.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation time without a maximum balance. Upon termination, accumulated vacation time up to 320 hours (480 for civil service fire employees) will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate for payout unused sick leave up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness or other valid sick leave uses while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. There were no arbitrage payments in the current fiscal year.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to $200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund equity

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

*Nonspendable fund balance*s – includes amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprises amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager's designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be

recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred loss on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year's measurement date (December 2020) and will be fully recognized as a reduction of the respective liability in the next period on the next measurement date (December 2021).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred gain on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments." The details of this ($55,591,809) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	$(56,125,000)
Issuance of certificates of obligation	(20,890,000)
Principal repayments:	
General obligation debt principal retirement	11,523,191
Certificates of obligation principal retirement	8,245,000
Refunded debt principal	1,655,000
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$(55,591,809)

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position." The details of this $9,585,637 difference are as follows:

Net effect of transactions involving asset retirements/disposals	$ (747,002)
Capital assets transferred to business-type activities as capital contributions	-
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	9,964,516
Net adjustment to increase net changes in fund balances - total governmental funds	$ 9,217,514

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the $2,603,175) difference are as follows:

Change in:	
Compensated absences	$ (967,114)
Net pension liability	8,249,146
Municipal pension deferred actuarial gains/losses	(1,992,871)
Municipal pension deferred contributions	(5,754)
Municipal pension deferred assumption changes	(751,392)
Municipal pension deferred economic differences	332,515
Total OPEB liability	(4,035,049)
OPEB deferred contributions	59,384
OPEB deferred assumption changes	1,930,556
OPEB deferred economic differences	266,389
Accrued interest	(482,635)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 2,603,175

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

The Materials Management, Risk Retention, Engineering Services, and Customer Service internal service funds had deficit net positions of ($575,863), ($3,131,650), ($2,412,583), and ($2,063,516), respectively, due to the implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27"* and GASB Statement No.75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"(OPEB)* which resulted in an increase in the net pension liability and the total OPEB liability in the prior years during implementation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had $291,494,142 in cash and cash equivalents of which $9,968 is in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 365 days. The City's investment policy may further restrict those investment options. The investments reported on September 30, 2021 were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2021, the City's investments carried a fair value of $653,150,428, of which $244,775,270 is in a local governmental investment pool which the City classifies in the financial statements as cash equivalents, resulting in $408,375,158 of investment balances reported in the financial statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input significant to the entire measurement.

At September 30, 2021, the City had the following recurring fair value investments:

		Fair Value Measurement Method			
	9/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments Measured at Amortized Cost:					
TexSTAR - Investment Pool	$ 129,775,270	$ -	$ -	19.87%	1
TexPool - Investment Pool	115,000,000	-	-	17.61%	1
Investments by Fair Value Level:					
Debt Securities:					
U.S. Treasury Securities	199,936,843	199,936,843	-	30.61%	235
U.S. Agency Securities	113,364,650	-	113,364,650	17.37%	213
Commercial Paper	89,984,765	-	89,984,765	13.78%	98
Municipal Bonds - Coupon	5,088,900	-	5,088,900	0.78%	137
Total Investments	$ 653,150,428	$ 199,936,843	$ 208,438,315		
Portfolio Weighted Average Maturity					124

Of the investments recorded at fair value, the U.S treasuries are valued on trade history pricing models of those securities, and the U.S. agency securities, commercial paper, and municipal bonds are valued based upon observable inputs, including but not limited to, model prices for similar assets, benchmark yield curves, and matrix pricing.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than eighteen months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of $1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's, the highest rating a local government investment pool can achieve.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2021, the bank balance for deposits was $49,678,429 and was fully collateralized by the City's third-party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (15%).

Local Government Investment Pools. During the year, the City invested in two public fund investment pools, TexSTAR and TexPool. The fair value of the position of TexSTAR is measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	$ 18,452,742	$ 2,743,670	$ 128,595,398	$ 19,265,549
Change in fair value	31,826	4,733	221,833	33,236
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	$ 18,484,568	$ 2,748,403	$ 128,817,231	$ 19,298,785

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	$ 51,579,011	$ 27,369,625	$ 22,865,520	$ 6,625,706
Change in fair value	88,976	47,213	39,443	11,430
Restricted investments	44,775,723	28,569,331	28,318,531	12,607,975
Change in fair value	77,240	49,284	48,852	21,749
Total	$ 96,520,950	$ 56,035,453	$ 51,272,346	$ 19,266,860

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	$ 1,979,911	$ 10,635,308	$ 290,112,440
Change in fair value	3,415	18,348	500,453
Restricted investments	816,013	2,471,896	117,559,469
Change in fair value	1,408	4,263	202,796
Total	$ 2,800,747	$ 13,129,815	$ 408,375,158

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2021 were 99.47% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2021, the City had a tax rate of $0.590454 per $100 valuation. Based upon the maximum Ad valorem tax of $2.50 per $100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of $1.909546. Additional revenues up to $253,706,808 could be raised per year based on the current year's certified assessed value of $13,286,237,052 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment

in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2021, the total assessed value of $234,054,363 after supplemental adjustments for TIRZ #1 was an increase of $154,697,509 over the base fiscal year 2011 assessed value and resulted in $867,747 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2021, the assessed value of $175,546,028 after supplemental adjustments was an increase of $175,426,570 over the base fiscal year 2014 assessed value and resulted in $414,325 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County's tax rate, $157,873 of property tax revenue was generated for Fiscal Year 2021.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City's northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total $40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

C. Receivables

Receivables at September 30, 2021 for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Capital Projects	ARPA Fund	Other Governmental Funds	Electric
Receivables:						
Taxes	$10,041,271	$ 499,868	$ -	$ -	$ 286,156	$ -
Accounts	210,233	-	-	-	37,659	13,040,689
Accrued interest	38,801	5,769	270,401	9,369	33,283	202,609
Unbilled utility service	-	-	-	-	-	10,522,888
Other - EMS Services	4,927,864	-	-	-	-	-
Other	3,770,446	-	-	-	119,157	8,302,122
Gross receivables	18,988,615	505,637	270,401	9,369	476,255	32,068,308
Less: Allowance for uncollectibles	(7,367,382)	(133,441)	-	-	(30,736)	(1,373,358)
Net total receivables	$11,621,233	$ 372,196	$ 270,401	$ 9,369	$ 445,519	$ 30,694,950

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 10,827,295
Accounts	2,518,551	1,650,145	1,943,458	68,986	546,453	20,016,174
Accrued interest	117,625	107,626	40,443	5,879	27,561	859,366
Unbilled utility service	2,639,141	1,685,104	1,921,544	-	-	16,768,677
Other - EMS Services	-	-	-	-	-	4,927,864
Other	-	-	-	150,554	121,269	12,463,548
Gross receivables	5,275,317	3,442,875	3,905,445	225,419	695,283	65,862,924
Less: Allowance for uncollectibles	(265,237)	(173,782)	(204,672)	(7,265)	(46,848)	(9,602,721)
Net total receivables	$ 5,010,080	$ 3,269,093	$ 3,700,773	$ 218,154	$ 648,435	$ 56,260,203

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2021 are summarized below and on the following page.

Governmental activities:	Balance at October 1, 2020	Increases	Transfers and Decreases	Balance at September 30, 2021
Capital assets not being depreciated:				
Land	$ 26,974,102	$ 996,768	$ -	$ 27,970,870
Construction in progress	196,305,164	81,503,199	(12,549,936)	265,258,427
Total capital assets not being depreciated	223,279,266	82,499,967	(12,549,936)	293,229,297
Capital assets being depreciated:				
Buildings	89,695,730	-	-	89,695,730
Infrastructure	315,696,981	9,176,251	-	324,873,232
Machinery, equipment, and other improvements	130,694,919	12,298,159	(2,802,695)	140,190,383
Total capital assets being depreciated	536,087,630	21,474,410	(2,802,695)	554,759,345
Less accumulated depreciation for:				
Buildings	32,201,289	2,120,847	-	34,322,136
Infrastructure	193,162,441	11,373,988	-	204,536,429
Machinery, equipment, and other improvements	84,360,427	10,223,109	(2,459,578)	92,123,958
Total accumulated depreciation	309,724,157	23,717,944	(2,459,578)	330,982,523
Total capital assets, being depreciated, net	226,363,473	(2,243,534)	(343,117)	223,776,822
Governmental activities capital assets, net	$ 449,642,739	$ 80,256,433	$ (12,893,053)	$ 517,006,119

(continued)

Business-type activities:	Balance at October 1, 2020	Increases	Transfers and Decreases	Balance at September 30, 2021
Capital assets not being depreciated:				
Land	$ 68,352,684	$ 7,145,891	$ -	$ 75,498,575
Construction in progress	167,865,829	84,099,687	(72,080,754)	179,884,762
Total capital assets not being depreciated	236,218,513	91,245,578	(72,080,754)	255,383,337
Capital assets being depreciated:				
Buildings	40,480,124	-	-	40,480,124
Landfill improvements	28,609,692	196,487	-	28,806,179
Water rights	69,883,098	-	-	69,883,098
Infrastructure	602,990,326	28,533,455	-	631,523,781
Plant, machinery, equipment, and other improvements	853,630,539	47,016,360	(6,373,979)	894,272,920
Total capital assets being depreciated	1,595,593,779	75,746,302	(6,373,979)	1,664,966,102
Less accumulated depreciation for:				
Buildings	10,847,492	1,077,630	-	11,925,122
Landfill improvements	25,610,244	1,521,876	-	27,132,120
Water rights	21,838,269	695,989	-	22,534,258
Infrastructure	196,431,750	15,291,101	-	211,722,851
Plant, machinery, equipment, and other improvements	253,582,335	32,049,625	(4,437,744)	281,194,216
Total accumulated depreciation	508,310,090	50,636,221	(4,437,744)	554,508,567
Total capital assets, being depreciated, net	1,087,283,689	25,110,081	(1,936,235)	1,110,457,535
Business-type activities capital assets, net	$1,323,502,202	$ 116,355,659	$ (74,016,989)	$ 1,365,840,872

Transfers and decreases include $27,477 transferred to Business-Type from Governmental Activities Infrastructure.

Depreciation expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	$ 2,517,284
Public Safety	3,803,424
Public Works	11,023,268
Parks & Recreation	2,457,560
Capital assets held by the internal service funds are charged to the various functions based upon usage	3,916,408
Total depreciation expense - governmental activities	$ 23,717,944
Business-type activities:	
Electric	$ 25,195,462
Water	9,191,697
Wastewater	9,167,170
Solid Waste	6,413,323
Airport	668,569
Total depreciation expense - business-type activities	$ 50,636,221

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2021. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
Police Station	$ 22,184,205	$ 24,461,787
Street Reconstruction (2019/2020)	567,958	13,221,595
Hickory Creek Detention Facility	10,658,254	9,519,525
Bonnie Brae South Construction	23,128,894	4,986,927
Hickory Creek	37,292	4,391,387
Hickory Creek Interceptor - Phase 2	885,169	4,138,799
Hickory Substation	5,766	3,407,901
North South Water Main - Phase 2	10,206,880	3,309,509
Lake Lewisville Water Treatment Plant Solids Handling	7,010	1,902,086
Solid Handling Improvements	658,263	1,767,952
Hickory Creek Road Widening	4,803,356	1,741,928
Emergency Act Plan Lake Forest	1,665,954	1,700,000
McKinney Street (Formerly FM426)	15,977,398	1,321,679
Lake Lewisville Water Treatment Plant Upgrade - Phase 2	17,052,103	1,252,490
I35N Water Line Relocation	627,783	1,038,511
Bonnie Brae Arterial	3,420,937	1,023,190
Hickory Creek Interceptor	2,494,382	831,915

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2021, is as follows:

	Interfund Receivables:				
	Governmental Major Funds	Business-Type Major Funds			
Interfund Payables:	General Fund	Electric	Water	Wastewater	Total
Non-Major Governmental Funds	$ 554	$ -	$ -	$ -	$ 554
Internal Service Funds	721	7,715	1,243	321	10,000
Total	$ 1,275	$ 7,715	$ 1,243	$ 321	$ 10,554

The more significant interfund receivables and payables include the following:

Interfund receivables	Interfund payables	Amount
Electric fund	Internal service funds-materials management	$ 7,714,503
Water fund	Internal service funds-materials management	1,242,821
General fund	Internal service funds-materials management	721,383
General fund	Non-Major Governmental Funds	553,587
Wastewater fund	Internal service funds-materials management	321,293

The outstanding balances between the Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:							
	Governmental Major Funds		Business-Type Major Funds					
Transfers In:	General Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Airport Fund	Internal Service Funds	Total
Governmental Major Funds:								
General Fund	$ -	$ 34	$ -	$ -	$ -	$ -	$ -	$ 34
Debt Service Fund	-	-	-	-	-	763	-	763
Capital Projects Fund	4,446	5,726	-	33	-	-	397	10,602
Non-Major Governmental Funds	3,751	-	791	213	146	50	-	4,951
Water Fund	-	-	28	-	-	-	-	28
Solid Waste Fund	-	-	-	-	-	-	20	20
Internal Service Funds	300	-	-	-	-	-	-	300
Total	$ 8,497	$ 5,760	$ 819	$ 246	$ 146	$ 813	$ 417	$16,698

The more significant transfers include the following:

Transfers from fund	Transfers to fund	Amount
General Fund	Non-Major Gov't – Recreation Fund	$ 3,699,937
Non-Major Gov't – Street Improvement Fund	Capital Projects	4,522,083
General Fund	Capital Projects	4,446,502
Business-type Major Funds (Electric, Water, and Wastewater)	Non-Major Gov't – Street Improvement Fun	1,148,511
Business-type Major Funds - Airport	Debt Service Fund	762,923

Transfers from the General Fund to the Non-Major Governmental Fund – Recreation were an operating subsidy as part of centralizing Park recreation programs all in the Recreation Fund. Transfers from the Non-Major Governmental Fund – Street Improvement Fund and from the General Fund were to fund capital projects such as streets, building renovations, equipment, and park improvements. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvement Fund were for bond savings costs related to the issuance of certificates of obligation, which fund street maintenance operations in the Street Improvements Fund. Transfers from Business-type Major Funds – Airport to the Debt Service Fund were to pay for Airport-related debt payments previously paid by property taxes.

F. Other Assets

In March 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 15 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $58,820,000 with a reoffering premium and other bond issuance costs of $3,835,015 for a total of $62,655,015. As the proceeds of this debt issuance were placed with Texas Municipal Power Agency (TMPA) and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $62,655,015. The City is amortizing the Other Asset over a period of 15 years with a half year convention the first and last years. See footnote V.E. for more information on TMPA.

In August 2014, the City issued General Obligation Refunding Bonds, Series 2014A with a maturity of 10 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $11,570,000 with a reoffering premium and other bond issuance costs of $1,848,651 for a total of $13,418,651. As the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $13,418,651. The City is amortizing the Other Asset over a period of 10 years.

In August 2015, the City issued General Obligation Refunding Bonds, Series 2015A with a maturity of 9 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $2,955,000 with a reoffering premium and other bond issuance costs of $462,133 for a total of $3,417,133. As the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $3,417,133. The City is amortizing the Other Asset over a period of 9 years.

In September 2017, the City impaired 37.9% of the of these Other Assets, for a total of $26,930,415. This was due to TMPA closing its power generation operations to seasonal activities only. The impaired portion was recorded as a GASB 62 Regulatory Asset in Other Assets to be amortized over the existing timelines originally established, through mid-year of fiscal year 2025.

In June 2019, TMPA notified Electric Reliability Council of Texas (ERCOT) of the plan to move the generation plant, Gibbons Creek, to a status of decommissioned and retired. The official effective date was October 2019. In September 2019, the City impaired the remaining portion of the Other Asset. The remaining

impaired portion of the original Other Assets were recorded as a GASB 62 Regulatory Asset in Other Assets to also be amortized over the existing timelines originally established, through mid-year of fiscal year 2025.

In February 2021, the State of Texas experienced unprecedented freezing temperatures that put pressure on the availability of electric power (the "Weather Event"). Due to the high demand for power during this period and the limited availability of the power, the purchase price for power increased dramatically during this period. These energy price increases resulting in utilities, including the Electric Fund of the City of Denton, needing to access financial reserves to make payment to ERCOT for the power purchased necessary to service their customers. Due to the unparalleled dollar amount of the purchased power, the City of Denton issued $140 million of commercial paper to provide temporary funding for immediate cash flow needs. In September 2021, the City issued $141,990,000 of revenue refunding bonds to convert the outstanding commercial paper principal plus interest to debt to be paid over a period of 30 years. The Electric Fund recorded $140,000,000 of this purchased power expense as a regulatory asset in Other Assets to be amortized over the period of 15 years, starting with fiscal year ending September 30, 2022.

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity's rate for regulated services provided to its customers are established by or are subject to approval of
- an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity's costs of providing the regulated services.

In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity's costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Denton qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Denton City Council to establish retail rates.
- The City of Denton specific costs are recovered through City of Denton retail rates.
- Current and projected customer demand support the recovery of City of Denton cost of service.

	Balance at October 1, 2020	Increases	Amortization	Balance at September 30, 2021	Years Remaining
Regulatory Assets:					
2010 TMPA Obligation	$ 18,796,505	$ -	$ 4,177,001	$ 14,619,504	3.5
2014 TMPA Obligation	5,367,460	-	1,341,865	4,025,595	3
2015 TMPA Obligation	1,518,726	-	379,682	1,139,044	3
2021 Weather Event	-	140,000,000	-	140,000,000	30
Total Other Assets	$ 25,682,691	$ 140,000,000	$ 5,898,548	$ 159,784,143	

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2021 are summarized as follows below and on the following pages:

	Balance at October 1, 2020	Increases	Decreases / Transfers	Balance at September 30, 2021	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 150,187,533	$ 56,125,000	$ 12,935,678	$ 193,376,855	$ 12,785,878
Certificates of obligation	99,295,000	24,735,000	8,885,000	115,145,000	9,515,000
Compensated absences payable	14,084,370	7,468,911	6,326,413	15,226,868	7,560,215
Claims and judgement payable	5,093,793	22,946,373	22,280,871	5,759,295	2,803,533
Net pension liability	60,222,801	-	9,076,000	51,146,801	-
Other post employment benefits	31,157,293	5,038,371	-	36,195,664	-
Unamortized premium/(discounts)	17,024,883	7,463,401	2,364,399	22,123,885	2,591,756
Total governmental long-term liabilities	$ 377,065,673	$ 123,777,056	$ 61,868,361	$ 438,974,368	$ 35,256,382

	Balance at October 1, 2020	Increases	Decreases / Transfers	Balance at September 30, 2021	Due Within One Year
Business-type Activities:					
Revenue bonds	$ 207,310,000	$ 141,990,000	$ 7,970,000	$ 341,330,000	$ 8,375,000
General obligation bonds	121,872,467	12,735,000	23,804,322	110,803,145	22,624,122
Certificates of obligation	396,900,000	72,300,000	31,945,000	437,255,000	17,145,000
Compensated absences payable	2,746,669	2,640,961	2,342,585	3,045,045	2,549,565
Claims and judgement payable	4,000,000	-	-	4,000,000	-
Net pension liability	27,037,480	-	1,473,088	25,564,392	-
Other post employment benefits	15,486,247	2,343,497	-	17,829,744	-
Decommissioning liability	21,167,124	-	21,167,124	-	-
Landfill closure/post-closure	11,373,438	702,648	-	12,076,086	-
Unamortized premium/(discounts)	57,094,682	7,527,426	7,846,598	56,775,507	7,218,559
Total business-type activities	864,988,107	240,239,532	96,548,717	1,008,678,919	57,912,246
Total long-term liabilities	$ 1,242,053,780	$ 364,016,588	$ 158,417,078	$ 1,447,653,287	$ 93,168,628

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund, with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represents an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds as well as one possible litigation payable in the Electric Fund.

General Bonded Debt - General bonded debt at September 30, 2021, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2021
General obligation refunding	2.0 to 5.0	2012	2032	$ 14,358,739	$ 5,470,000
General obligation refunding	2.0 to 4.0	2013	2033	10,221,023	5,276,855
General obligation refunding	2.0 to 3.5	2014	2034	7,165,000	2,880,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	26,130,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	21,485,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	15,375,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	17,375,000
General obligation refunding	3.0 to 5.0	2019	2039	18,015,000	16,790,000
General obligation refunding	2.0 to 5.0	2020	2040	27,675,000	26,500,000
General obligation refunding	2.0 to 5.0	2020A	2031	1,415,000	1,385,000
General obligation	2.0 to 5.0	2021	2041	54,710,000	54,710,000
Total general obligation bonds				244,364,762	193,376,855
Certificates of obligation	2.0 to 5.0	2012	2032	4,490,000	415,000
Certificates of obligation	3.0 to 4.0	2013	2033	10,805,000	6,065,000
Certificates of obligation	2.0 to 5.0	2014	2034	8,635,000	5,585,000
Certificates of obligation	2.0 to 5.0	2015	2035	7,420,000	2,880,000
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	3,405,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	10,325,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	6,940,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	24,775,000
Certificates of obligation	3.0 to 5.0	2019	2039	9,390,000	7,245,000
Certificates of obligation	2.0 to 5.0	2020	2040	24,020,000	22,775,000
Certificates of obligation	2.0 to 5.0	2021	2041	24,735,000	24,735,000
Total certificates of obligation				151,410,000	115,145,000
Total general bonded debt				$ 395,774,762	$ 308,521,855

[These amounts do not include net unamortized premiums/ (discounts) of $22,123,885 nor net deferred gain/ (loss) on refunding of ($638,821).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In December 2020, the City issued $14,150,000 ($12,735,000 of which is included as part of business-type activities) in general obligation refunding bonds. The reacquisition price fell below the net carrying amount of the old debt by $340,776, ($310,802 of which is reported as a deferred loss in business-type activities). This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of

the new debt issued. The current refunding was undertaken to reduce total debt service payments over 11 years by $3,624,333 and resulted in a net present value savings of $3,444,385.

In July 2021, the City issued $97,035,000 ($72,300,000 of which is included as part of business-type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund ($20,890,000), the Electric Fund ($38,395,000), the Water Fund ($17,255,000), the Wastewater Fund ($16,650,000), the Fleet Fund ($2,655,000), and the Customer Service Fund ($1,190,000).

In July 2021, the City issued $54,710,000 of general obligation refunding and improvement bonds. The bonds were issued to pay the costs of bond election capital improvements for streets and public safety facilities in the Capital Projects Fund.

On September 30, 2021, the City had no general obligation bonds or certificates of obligation considered defeased but still outstanding.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2021, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2021
Utility system	3.25 to 5.0	2017	2037	$ 214,890,000	$ 199,340,000
Utility system Refunding	0.27 to 5.7	2021	2036	141,990,000	141,990,000
Total revenue bonds				$ 356,880,000	$ 341,330,000

[These amounts do not include net unamortized premiums/ (discounts) of $20,982,363.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of $10,607,945 as of September 30, 2021 and is restricted for debt service. On September 30, 2021, the City had no revenue bonds considered defeased but still outstanding.

In September 2021, the City issued $141,990,000 of revenue refunding bond debt, all in the Electric Fund. The debt was issued to refund outstanding commercial paper originally issued to cover energy purchase power from the February 2021 Texas winter weather event. The debt fully matures in 2036.

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2021, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2021
General obligation refunding	2.0 to 5.0	2012	2024	$ 19,231,261	$ 4,990,000
General obligation refunding	2.0 to 4.0	2013	2025	513,977	213,145
General obligation refunding	3.0 to 5.0	2014A	2025	27,155,000	13,200,000
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	625,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	6,675,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	905,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	24,825,000
General obligation refunding	3.0 to 5.0	2017	2022	1,280,000	215,000
General obligation refunding	3.0 to 5.0	2019	2039	26,325,000	18,320,000
General obligation refunding	2.0 to 5.0	2020	2040	34,405,000	28,450,000
General obligation refunding	2.0 to 5.0	2020A	2031	12,735,000	12,385,000
Total general obligation bonds				196,840,238	110,803,145
Certificates of obligation	2.0 to 5.0	2012	2032	40,185,000	23,010,000
Certificates of obligation	3.0 to 4.0	2013	2033	52,715,000	31,750,000
Certificates of obligation	2.0 to 5.0	2014	2044	80,545,000	63,415,000
Certificates of obligation	2.0 to 5.0	2015	2045	85,595,000	69,440,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	63,040,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	61,815,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	1,020,000
Certificates of obligation	3.0 to 5.0	2019	2049	19,365,000	18,235,000
Certificates of obligation	2.0 to 5.0	2020	2050	34,060,000	33,230,000
Certificates of obligation	2.0 to 5.0	2021	2041	72,300,000	72,300,000
Total certificates of obligation				536,055,000	437,255,000
Total business-type G.O./C.O.				$ 732,895,238	$ 548,058,145

[These amounts do not include net unamortized premiums/ (discounts) of $35,793,144 nor net deferred gain/ (loss) on refunding of ($923,877).]

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2021 are shown below:

Governmental Activities:

	General Obligation		Certificates of Obligation		Capital Leases		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 12,785,878	$ 6,653,205	$ 9,515,000	$ 4,297,696	$ -	$ -	$ 22,300,878	$ 10,950,901
2023	12,136,263	6,011,120	8,490,000	3,852,975	-	-	20,626,263	9,864,095
2024	12,096,703	5,504,185	8,015,000	3,496,650	-	-	20,111,703	9,000,835
2025	11,718,011	5,007,493	7,215,000	3,157,850	-	-	18,933,011	8,165,343
2026	11,545,000	4,542,375	6,725,000	2,850,150	-	-	18,270,000	7,392,525
2027-2031	51,730,000	16,047,846	29,235,000	10,083,900	-	-	80,965,000	26,131,746
2032-2036	50,865,000	7,108,453	28,910,000	4,386,113	-	-	79,775,000	11,494,566
2037-2041	30,500,000	1,426,038	17,040,000	762,319	-	-	47,540,000	2,188,357
Total	$ 193,376,855	$ 52,300,715	$ 115,145,000	$ 32,887,653	$ -	$ -	$ 308,521,855	$ 85,188,368

Business-Type Activities:

	General Obligation		Certificates of Obligation		Revenue		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 22,624,122	$ 4,317,670	$ 17,145,000	$ 16,441,654	$ 8,375,000	$ 20,570,668	$ 48,144,122	$ 41,329,992
2023	18,288,737	3,484,788	15,915,000	15,546,012	12,435,000	25,295,259	46,638,737	44,326,059
2024	16,708,297	2,735,947	16,215,000	14,824,563	12,905,000	25,300,313	45,828,297	42,860,823
2025	14,686,989	2,048,515	16,825,000	14,085,638	13,400,000	25,297,018	44,911,989	41,431,171
2026	8,225,000	1,525,100	17,375,000	13,361,313	13,900,000	25,295,282	39,500,000	40,181,695
2027-2031	30,270,000	2,663,250	95,955,000	54,660,447	78,605,000	126,495,486	204,830,000	183,819,183
2032-2036	-	-	91,860,000	34,987,944	97,540,000	126,491,747	189,400,000	161,479,691
2037-2041	-	-	80,750,000	21,156,225	42,185,000	54,193,669	122,935,000	75,349,894
2042-2046	-	-	67,480,000	7,774,875	28,565,000	36,115,451	96,045,000	43,890,326
2047-2051	-	-	17,735,000	855,275	33,420,000	36,112,836	51,155,000	36,968,111
Total	$ 110,803,145	$ 16,775,270	$ 437,255,000	$ 193,693,946	$ 341,330,000	$ 501,167,729	$ 838,233,145	$ 674,668,834

[These amounts do not include net unamortized premiums/ (discounts) of $78,899,392 nor net deferred gain/ (loss) on refunding of ($1,562,698).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2021 amounted to $148,390,000. When issued, the proceeds will be allocated to the applicable street, drainage, police facilities, and parks projects.

All bonds were issued publicly through negotiated or competitive terms with no direct placements. There is no acceleration of maturity of the bonds in the event of default, and the City has never defaulted on the payment of bonds.

Claims and Judgements Payable

Claims and judgements payable include claims payables as part of the City's self-insurance plan, which can be found in note V.D. It also includes a judgement liability of $4,000,000 recorded in the electric fund, which can be found in note V.G. for further information.

H. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on an updated model created by a 2017 engineering study, total landfill closure and post-closure cost as of September 30, 2021 was $23,442,770. The $12,076,086 reported as landfill closure and post-closure care liability as of September 30, 2021 is a $702,648 increase from the $11,373,438 liability reported on September 30, 2020. This liability represents the cumulative amount incurred to date based on the use of 17.82% of the estimated capacity of the entire landfill at September 30, 2021. The change in estimated capacity decreased due to the remaining life increasing from updated Permit 1590B approval in August 2021.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill is $11,366,684. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2021. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 66 years, and the City expects to close the landfill in fiscal year 2087.

The solid waste fund has provided for a reservation and designation of cash and investments of $11,992,859 at September 30, 2021 and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

I. Decommissioning Liability

The electric fund recorded in prior years a decommissioning liability that had a balance of $21,167,124 as of September 30, 2020. This entire amount was payable to Texas Municipal Power Agency (TMPA) as the City's portion of TMPA's decommissioning liability for the Gibbons Creek power generation facility. In February 2021, the City paid TMPA $6,037,368 toward this liability as part of TMPA's sale of the power generation facility. The remaining liability was transferred to the new owner as part of the sale and was written off and recognized in the financial statements as a non-operating revenue. See footnote V.E. on TMPA for more details.

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent-multiple employer traditional, joint contributory, hybrid defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	$ 560,470,110	$ 128,332,828	$ 688,802,938
Pension assets	494,893,606	117,198,139	612,091,745
Net pension liability	$ 65,576,504	$ 11,134,689	$ 76,711,193
Deferred outflows of resources	$ 17,619,761	$ 9,082,731	$ 26,702,492
Deferred inflows of resources	13,072,602	8,877,079	21,949,681
Pension expense	13,033,962	712,532	13,746,494

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payments options. Employees may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retires equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	797
Inactive employees entitled to but not yet receiving benefits	693
Active employees	1,293
Total	2,783

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.29% and 17.61% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were $17,794,920 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the

target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 530,227,521	$ 460,593,810	$ 69,633,711
Changes for the year:			
Service cost	18,685,981	-	18,685,981
Interest	35,523,156	-	35,523,156
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,636,510	-	2,636,510
Changes of assumptions	-	-	-
Contributions - employer	-	18,613,464	(18,613,464)
Contributions - employee	-	7,536,737	(7,536,737)
Net investment income	-	34,987,709	(34,987,709)
Benefit payments, including refunds of employee contributions	(26,603,058)	(26,603,058)	-
Administrative expense	-	(226,230)	226,230
Other changes	-	(8,826)	8,826
Net changes	30,242,589	34,299,796	(4,057,207)
Balance at 12/31/2020	$ 560,470,110	$ 494,893,606	$ 65,576,504

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 149,152,966	$ 65,576,504	$ (2,501,789)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of $13,033,962. This amount is included as part of personal services expenses.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ (13,072,602)
Contributions subsequent to the measurement date	12,817,459	-
Differences between expected and actual economic experience	3,990,432	-
Difference in assumption changes	811,870	-
Total	$ 17,619,761	$ (13,072,602)

$12,817,459 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2022	$ (2,914,526)
2023	1,747,532
2024	(6,692,325)
2025	(410,981)
2026	-
Total	$ (8,270,300)

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan effective January 1, 2011 provides a monthly normal service retirement benefit,

payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2019 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	3
Active employees	199
Total	289

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2019 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2021 were $4,158,368.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2020, the money-weighted rate of return on pension plan investments was 11.80%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2019 and rolled forward to December 31, 2020.

Total pension liability	$ 128,332,828
Plan fiduciary net position	117,198,139
City's net pension liability	$ 11,134,689
Plan fiduciary net position as a percentage of the total pension liability	91.3%

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.71% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.50%
Fixed Income	10.0%	1.00%
Cash	7.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2019 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 18 years. Because of the 18-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 121,442,365	$ 103,815,795	$ 17,626,570
Changes for the year:			
Service cost	4,252,475	-	4,252,475
Interest	8,293,527	-	8,293,527
Contributions - employer	-	4,069,311	(4,069,311)
Contributions - employee	-	2,771,532	(2,771,532)
Net investment income	-	12,313,949	(12,313,949)
Benefit payments, including refunds of employee contributions	(5,655,539)	(5,655,539)	-
Administrative expense	-	(116,909)	116,909
Net changes	6,890,463	13,382,344	(6,491,881)
Balance at 12/31/2020	$ 128,332,828	$ 117,198,139	$ 11,134,689

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 27,865,557	$ 11,134,689	$ (3,066,318)

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of $712,532. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ (8,079,562)
Contributions subsequent to the measurement date	3,058,198	-
Differences between expected and actual economic experience	2,403,470	(797,517)
Difference in assumption changes	3,621,063	-
Total	$ 9,082,731	$ (8,877,079)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $3,058,198 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 and the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2022	$ (1,668,518)
2023	(935,195)
2024	(2,135,562)
2025	(298,024)
2026	734,622
Thereafter	1,450,131
Total	$ (2,852,546)

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail following.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
Total OPEB liability	$ 48,918,032	$ 5,107,376	$ 54,025,408
Deferred outflows of resources	$ 6,986,692	$ 1,064,667	$ 8,051,359
Deferred inflows of resources	2,412,788	47,159	2,459,947
OPEB expense	4,535,096	561,765	5,096,861

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents though the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	186
Active employees	1,492
Total	1,678

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes $40 per month for each five-year increment of service, up to $200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City's medical OPEB liability of $48,918,032 was measured as of December 31, 2020, the same date as the actuarial valuation.

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions

	12/31/2020
Valuation date	December 31, 2019
Actuarial cost method	Individual Entry-Age Normal Method
Discount Rate	3.71% as of December 31, 2018 2.75% as of December 31, 2019 2.00% as of December 31, 2020
Inflation rate	2.50% per annum
Projected salary increases	3.50% to 11.50% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Mortality	**TMRS:** For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. **Firefighters:** The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale MP-2019.
Participation Rates	60% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2019	$ 42,548,138
Changes for the year:	
Service cost	2,884,792
Interest	1,186,428
Difference between expected and actual experience	329,072
Changes of assumptions	3,664,984
Benefit payments	(1,695,382)
Net changes	6,369,894
Balance at 12/31/2020	$ 48,918,032

Total OPEB liability as a percentage of covered payroll was 37.36%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (2.00%) the discount rate that was used (3.00%) in measuring the medical OPEB liability:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total medical OPEB liability	$ 54,419,045	$ 48,918,032	$ 44,110,560

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less than (6.00%) and 1% more than (8.00%) the healthcare cost trend rate that was used (7.00%) in measuring the medical OPEB liability:

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total medical OPEB liability	$ 44,497,589	$ 48,918,032	$ 54,207,624

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2021, the City recognized medical OPEB expense of $4,535,096. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 291,982	$ 1,265,008
Changes in actuarial assumptions	5,510,107	1,147,780
Contributions subsequent to the measurement date	1,184,603	-
Totals	$ 6,986,692	$ 2,412,788

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of $1,184,603 will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows/(Inflows)
2022	$ 463,876
2023	463,876
2024	463,876
2025	463,876
2026	456,083
Thereafter	1,077,714
Total	$ 3,389,301

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by the Benefit Terms

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	627
Inactive employees entitled to but not yet receiving benefits	196
Active employees	1,293
Total	2,116

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2021 and 0.17% for 2020, of which 0.08% for 2021 and 0.03% for 2020, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2021 and 2020 were $179,918 and $175,649 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

	12/31/2020
Inflation rate	2.50% per annum
Discount rate	2.00%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP BB to account for the future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the SDBF OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-

income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (2.00%) the discount rate that was used (3.00%) in measuring the medical OPEB liability:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total SDBF OPEB liability	$ 6,333,727	$ 5,107,376	$ 4,176,622

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2021 the City reported a liability of $5,107,376 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2021, the City recognized SDBF OPEB expense of $561,765. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	Total SDBF OPEB Liability
Balance at 12/31/2019	$ 4,095,402
Changes for the year:	
Service cost	236,668
Interest	115,434
Difference between expected and actual experience	(28,782)
Changes of assumptions	720,927
Benefit payments	(32,273)
Net changes	1,011,974
Balance at 12/31/2020	$ 5,107,376

Total OPEB liability as a percentage of covered payroll was 4.75%.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ (213,389)	$ (78,844)
Changes in actuarial assumptions	1,147,043	126,003
Contributions subsequent to the measurement date	131,013	-
Totals	$ 1,064,667	$ 47,159

The $131,013 reported as deferred outflows of resources related to SDBF OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total SDBF Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2022	$ 209,663
2023	209,663
2024	169,747
2025	176,352
2026	114,215
Thereafter	6,855
Total	$ 886,495

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2020 and 2021, the plan, available to all permanent City employees, permitted them to defer, until future years, up to $19,500, respectively. Employees who are age 50 or older may contribute an additional amount of $6,500, the total not to exceed $26,000 in 2021. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of $39,000 in 2021 and 2020. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City’s financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid for each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims or general liability. Commercial liability insurance coverage is purchased for airport operations, emergency medical services, take-home vehicles, and employee theft and dishonesty. Additionally, excess insurance is purchased for general liability, auto liability, public officials, and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration settlement of claims, new claims and other factors. As of September 30, 2021, the estimated value of these liabilities was $5,759,295. Changes in balances of claims liabilities during fiscal years 2021 and 2020 were as shown as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claims Payments	Claims Liability End of Fiscal Year
Workers' Compensation				
2021	$ 2,230,084	$ 1,332,855	$ 992,266	$ 2,570,673
2020	2,035,824	1,311,288	1,117,028	2,230,084
General Liability				
2021	$ 949,594	$ 486,452	$ 209,457	$ 1,226,589
2020	720,136	488,684	259,226	949,594
Health Insurance				
2021	$ 1,914,115	$ 21,127,066	$ 21,079,148	$ 1,962,033
2020	1,838,331	22,845,423	22,769,639	1,914,115

On September 30, 2021, the City of Denton had a negative unrestricted net position of $3,131,650 in the Risk Retention Fund and an additional negative net position of $3,071,038 in the Health Insurance Fund for payment of claims, both in addition to the liability balances recorded. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues were insufficient to cover all costs and retire the outstanding debt, each of the cities guaranteed a portion of the unpaid debt based, generally, upon the pro rata share.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2021, total TMPA long-term debt outstanding was approximately $206,713,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding $10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA included a reclamation plan for the mine, required the development of a decommissioning plan, and set out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the

JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities. Pursuant to this provision, the City extended the PSC from September 1, 2018 to September 30, 2018, in order to complete the period of 2018 seasonal operation. As of September 30, 2018, the PSC had expired for all member cities.

On September 17, 2019 the JOA was amended (Amendment No. 3). The amendment defined portions specific to the generation business that had been tied to the expired PSC and clarified all board members may vote on matters involving decommissioning and the sale of the plant. It exempted financial commitments related to bonding from the requirement to obtain approval of all Member Cities relating to certain budget increases. This is to address concerns by the Attorney General of Texas that a potential situation could arise where a Member City could interfere with TMPA's existing bond deposit requirement obligations ("bond reserve equivalent") should that obligation require a 20% increase over the previous year's budget. The amendment also allows for the sale of mine tracts only after the completion of mine reclamation. This would permit the sale of a mine tract subject to bonding provided that the conveyance reserves easements, leases, or other property rights are reserved to enable TMPA to complete reclamation.

On November 12, 2019 the JOA was amended (Amendment No. 4). This amendment modified the agreement to make it unambiguous that in the event that all mining assets are sold, all Member Cities shall remain responsible for the costs of closing the mining operation according to each's percentage share and that these are included: "all obligations are discharged with respect to mine reclamation bonds, surety bonds, banking agreements, letters of credit, and other financial commitments related to providing financial security or assurance for TMPA's mine reclamation responsibilities." Additionally, it modified the agreement by removing the cap on sales of the mining assets and allowed for the sale of the mine as a whole.

Effective September 26, 2017, Gibbons Creek transitioned into a seasonal operations mode, operating during the summer months only (May-September). Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. On June 1, 2019, the TMPA Board of Directors voted to permanently retire the generation facility. The City also wholly impaired its TMPA prepaid purchase power due to the retirement and had a remaining balance recorded of $19,784,143 in Other Assets in the Electric fund to be amortized over the remaining 3.5 remaining years. See note IV.F. for more information.

In 2019, TMPA issued a request for proposal involving only the sale of generation assets. Proposals were received in August 2019, and TMPA entered into negotiations with one of the proposers. On December 10, 2020, the TMPA Board of Directors approved a fully negotiated Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group LLC (GCERG). As required by the TMPA Joint Operating Agreement, each TMPA member city was required to approve the APA. On January 26, 2021, the City Council approved the APA with GCERG. On February 10, 2021, TMPA and GCERG closed on the sale of the Gibbons Creek Steam Generation Plant and property. Through the sale, GCERG acquired 6,200 acres

including the plant, CCR (coal combustion residuals) units, and reservoir. GCERG must decommission the plant and remediate all CCR units to TCEQ/EPA standards. GCERG provides independent financial security to TMPA for remediation/decommissioning and post closure activities and certain land use limits imposed on CCR containing parcels. The City's Electric fund had a liability recorded for TMPA's decommissioning obligation of $21,167,124 as of September 30, 2020. As part of the sale of Gibbons Creek, the City paid $6,037,368 of this liability in February 2021. The remaining liability of $15,129,756 was recognized as a gain in other non-operating revenues. This sale to GCERG only includes the generation assets and TMPA retained the approximate 11,000 acres associated with the mine land and all transmission assets.

On July 15, 2021 the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021, subsequent to the current fiscal year-end. The City received its portion of the sale in the amount of $15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022. Following the closing, TMPA will continue to conduct mine reclamation activities pursuant to a reclamation easement that will remain in effect until all bonded areas are released from bond.

Selected financial statement information of TMPA is as follows:

	September 30 (Unaudited)	
	2021	2020
	(000s)	(000s)
Operating revenues	$ 40,062	$ 54,237
Operating expenses	17,079	19,102
Operating income	22,983	35,135
Other non-operating sources (uses)	(1,967)	4,406
Current unrestricted assets	54,983	40,037
Total assets and deferred outflows	232,913	368,164
Long-term debt – Noncurrent	200,318	215,768
Total liabilities and deferred inflows	240,306	380,362
Total net position	(7,393)	(12,198)

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements. The information provided is all that is allowed under the confidentiality provision(s) of the particular agreements.

Denton Power, Landfill-Gas Combustor - In 2008, the City entered into a 16-year power purchase agreement with Denton Power, LLC. Under the agreement, the City purchases 1.6 MW of output from a landfill gas-fired electric generating facility located at the City's landfill. This contract was terminated in September 2020 when the City purchased the assets of Denton Power, LLC.

NextEra - In 2009, the City entered into a power purchase agreement for firm energy and associated renewable energy credits with NextEra Energy Power Marketing, LLC.

Santa Rita, Wind - In 2016, the City entered into a 20-year power purchase agreement for wind energy, capacity, and environmental attributes with Santa Rita Wind Energy, LLC.

NextEra - In 2015, the City entered into a 20-year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, the City purchases solar energy, capacity, and environmental attributes commencing from the commercial operation date which was November 2018.

Engie - In 2018, the City entered into a 15-year power purchase agreement with Engie Long Draw Solar, LLC. Under the agreement, which is scheduled to end June 2035, the City will purchase 75 MW of solar generation and environmental attributes. The in-service date was December 29, 2020.

NextEra - In 2018, the City entered into a 15-year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, the City will purchase 100 MW of solar generation and environmental attributes. Commercial operation was achieved on December 28, 2020.

Samson Solar - In 2018, City of Denton entered into a 15-year power purchase agreement with Samson Solar Energy, LLC. Under the agreement, which is scheduled to end in 2037, the city will purchase 75 MW of solar generation and environmental attributes. The project has been impacted by a series of Force Majeure events, one of which is continuing. Currently the City has no projected in-service date.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 1,540,858
Capital Projects Fund	40,044,150
Nonmajor Governmental Funds	1,553,632
Total	$ 43,138,640

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue as a result of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in March of 2020. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. For the fiscal year ended September 30, 2021, the City abated property taxes totaling $276,377 under this program, as detailed in the following agreements:

- Peterbilt – In 2016, a 70% tax abatement agreement for a term of eight years was granted to Peterbilt Motors on new capital investments, including the construction of a new stand-alone 102,000 square foot building. The abatement amount for the current fiscal year was $245,041.
- West Gate Business Park (WGBP) – In 2016, a 60% tax abatement agreement for a term of ten years was granted to WGBP on new capital investments only to include Buildings 2 and 3 in the business

park. WGBP could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a full refund of all abatements previously granted plus interest. The abatement amount for the current fiscal year was $31,336.

The City has an additional abatement agreement not listed above becoming effective in future fiscal years should the grantee meet the obligations of the agreement. The agreement is for Tyson Sales and Distribution.

Chapter 380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has target industry sectors for recruitment that will be given priority consideration: aviation/aerospace, advanced manufacturing, renewable energy, research and development, information technology, supply chain for existing primary employers, and significant consumers of municipal utilities. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Each agreement is based on the contribution in sales, property, and/or hotel tax. For the fiscal year ended September 30, 2021, the City rebated sales taxes totaling $2,574,245, property taxes totaling $733,095 ($197,336 of which was paid out of the Westpark TIRZ No. Two), and hotel occupancy taxes totaling $587,476 as detailed in the following agreements:

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed $6,664,901 plus accrued interest. The tax rebates initiated in 2010 and will terminate in 2024. The tax rebate amount for the current fiscal year was $51,353.

- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which include the widening of a state highway bisecting the project. The grantee will receive a maximum of $20 million over a 15 year term for phase one and a maximum of $48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until $5 million is reached. As of the current fiscal year, the tax rebate amount for phase one was $1,394,054 and the tax rebate amount for phase two was $842,124.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum $45 to $65 million was required as an investment into the property to receive a one-half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at $95,898. The total grant payments may not exceed 15.83% of the required investment. GTM Development has invested $49.5 million in the development. Tenant investments in the property amounted to $8.8 million, for a total invest of $58.3 million. Based on this total investment the total grant payment should not exceed $9.2 million. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was $0.00. Due to the pandemic several stores closed, which resulted in no rebate qualification for fiscal year 2020-2021.

- Mayday Manufacturing – In 2012, an agreement was approved for Mayday Manufacturing/Tailwind Technologies for the relocation of the business and expansion of a manufacturing facility. The

agreement provides a 75% tax rebate on the increment of property tax revenue generated above the base valuation for a period of ten years. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a 50% refund of all rebates previously granted. The tax rebate amount for the current fiscal year was $40,649.

- West Gate Business Park – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on Building 1 improvements and to add a one-time grant payment in the amount of $50,000. The tax rebate amount for the current fiscal year was $31,336.

- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a $135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around $7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. WinCo received reimbursement for infrastructure financing from Water and Wastewater funds and a local sales and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:

    - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. The tax rebate amount out of the Westpark TIRZ No. Two for the current fiscal year was $197,336, with $142,890 being the City portion of the tax rebate and $54,446 being the County portion of the tax rebate.

    - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is $50 million excluding purchase price of the property. The tax rebate amount for the current fiscal year was $268,910.

- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal ($28 million) and interest ($26 million) amount of $54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales tax up to $850,000, then 50% thereafter. The construction sales tax rebate portion of the agreement was completed in fiscal year 2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The sales tax, property tax, and hotel occupancy tax rebate amounts for the current fiscal year were $29,214, $190,145, and $587,476, respectively.

- Buc-ee's Travel Center – In 2015, an agreement was approved for Buc-ee's Travel Center. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated

from businesses located within the property boundaries for a five-year period. At the conclusion of the sales tax reimbursement term, the City has agreed to a one-time cash grant payment of $2 million minus the total sales tax previously reimbursed, only if the grantee has not received a full $2 million in sales tax reimbursements. In addition, at the end of the sales tax reimbursement term, the agreement provides a sales tax reimbursement infrastructure grant of one half of the City sales tax, or 0.75%, generated by the Buc-ee's Travel Center and developed outparcels that contain sit-down restaurants or retail establishments for a period of twenty years. The City has also agreed to pay the grantee one quarter of the City sales tax, or 0.375%, generated by outparcels not included in the previously mentioned infrastructure grant, including fast food restaurants and drive-through uses. The tax rebate amount for the current fiscal year was $257,500.

The City has one additional Chapter 380 agreement not listed above becoming effective in future fiscal years should the grantee meet the obligations of the agreement. The agreement is for United States Cold Storage.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued (see case below), while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings and the item described following, is approximately $500,000 as of September 30, 2021. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2021.

Michael Grim and Jim Maynard v. City of Denton

This case is a whistleblower retaliation lawsuit that was tried before a Dallas County jury. After a lengthy trial, involving disputed issues of law that were properly preserved for appeal, the jury awarded roughly $4.0 million in damages to the two plaintiffs, and the City has filed an appeal. Plaintiffs alleged that their terminations were in retaliation for their report to the City Attorney of an individual City Council member's release of proprietary vendor data to the press. The City's position was that Plaintiffs were actually fired at will for lying to management about their participation in hunting and fishing trips with the vendors who ultimately won the bids on a city project. Based on the current jury judgment, the City has accrued the $4 million as a long-term liability in the Electric fund, even though the trial court's final judgment reduced the jury verdict to $2.7 million by the application of statutory caps on damages. It is possible that the judgment may be reversed or modified on appeal.

H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2021 up through March 30, 2022, the date the financial statements were issued.

As presented in footnote V.E., the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021, subsequent to the current fiscal year-end. The City received its portion of the sale in the amount of $15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which became effective for the fiscal year ending September 30, 2021.

Statement No. 84 "*Fiduciary Activities*" – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. As a result of the

implementation of this statement, funds previously reported as agency funds are now reported as part of the General Fund.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 87 "*Leases"* – This Statement is to improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 91 "*Conduit Debt Obligations*" – This Statement clarifies the existing definition of conduit debt obligations (CDO) and establishes the CDO as not a liability of the issuer. Under this statement, it establishes the accounting and financial reporting of additional commitments and voluntary commitments extended by the issuers and arrangements associated with CDOs. This Statement will become effective for the City in fiscal year 2023.

Statement No. 93 "*Replacement of Interbank Offered Rate*" – This Statement provides exceptions for certain hedging derivate instruments when an interbank offered rate (IBOR) and clarifies the hedge accounting termination provisions. This Statement will become effective for the City in fiscal year 2022.

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CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit XI**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total pension liability:					
Service Cost	$ 10,667,694	$ 12,615,957	$ 13,925,238	$ 14,514,171	$ 14,990,529
Interest (on the total pension liability)	25,182,941	26,905,700	27,656,654	29,543,513	31,468,411
Difference between expected and actual experience	(171,241)	(1,525,911)	763,589	1,514,980	1,255,443
Change of assumptions	-	(428,789)	-	-	-
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)
Net change in total pension liability	24,291,777	24,869,222	29,322,151	29,223,020	29,476,344
Total pension liability - beginning	360,116,261	384,408,038	409,277,260	438,599,411	467,822,431
Total pension liability - ending (a)	$ 384,408,038	$ 409,277,260	$ 438,599,411	$ 467,822,431	$ 497,298,775
Plan fiduciary net position:					
Contributions - employer	$ 13,065,763	$ 13,615,410	$ 14,046,860	$ 14,821,752	$ 15,107,443
Contributions - employee	4,991,415	5,365,231	5,712,464	6,014,227	6,175,407
Net investment income	16,867,596	469,530	21,947,635	48,954,660	(12,175,765)
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)
Administrative expense	(176,083)	(285,957)	(247,766)	(253,578)	(235,169)
Other	(14,477)	(14,123)	(13,349)	(12,851)	(12,287)
Net change in plan fiduciary net position	23,346,597	6,452,356	28,422,514	53,174,566	(9,378,410)
Plan fiduciary net position - beginning	294,819,596	318,166,193	324,618,549	353,041,063	406,215,629
Plan fiduciary net position - ending (b)	$ 318,166,193	$ 324,618,549	$ 353,041,063	$ 406,215,629	$ 396,837,219
Net pension liability - ending (a) - (b)	$ 66,241,845	$ 84,658,711	$ 85,558,348	$ 61,606,802	$ 100,461,556
Plan fiduciary net position as a percentage of total pension liability	82.77%	79.32%	80.49%	86.83%	79.80%
Covered payroll	$ 71,025,494	$ 76,646,157	$ 81,481,789	$ 85,227,078	$ 88,179,581
Net pension liability as a percentage of covered payroll	93.26%	110.45%	105.00%	72.29%	113.93%

(continued on the following page)

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

CITY OF DENTON, TEXAS **Exhibit XI**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2019	Measurement Year 2020
Total pension liability:		
Service Cost	$ 16,283,811	$ 18,685,981
Interest (on the total pension liability)	33,434,342	35,523,156
Difference between expected and actual experience	2,005,979	2,636,510
Change of assumptions	1,438,798	-
Benefit payments, including refunds of employee contributions	(20,234,184)	(26,603,058)
Net change in total pension liability	32,928,746	30,242,589
Total pension liability - beginning	497,298,775	530,227,521
Total pension liability - ending (a)	$ 530,227,521	$ 560,470,110
Plan fiduciary net position:		
Contributions - employer	$ 16,255,126	$ 18,613,464
Contributions - employee	6,693,287	7,536,737
Net investment income	61,399,432	34,987,709
Benefit payments, including refunds of employee contributions	(20,234,184)	(26,603,058)
Administrative expense	(346,657)	(226,230)
Other	(10,413)	(8,826)
Net change in plan fiduciary net position	63,756,591	34,299,796
Plan fiduciary net position - beginning	396,837,219	460,593,810
Plan fiduciary net position - ending (b)	$ 460,593,810	$ 494,893,606
Net pension liability - ending (a) - (b)	$ 69,633,711	$ 65,576,504
Plan fiduciary net position as a percentage of total pension liability	86.87%	88.30%
Covered payroll	$ 95,618,386	$ 107,576,172
Net pension liability as a percentage of covered payroll	72.82%	60.96%

(concluded)

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

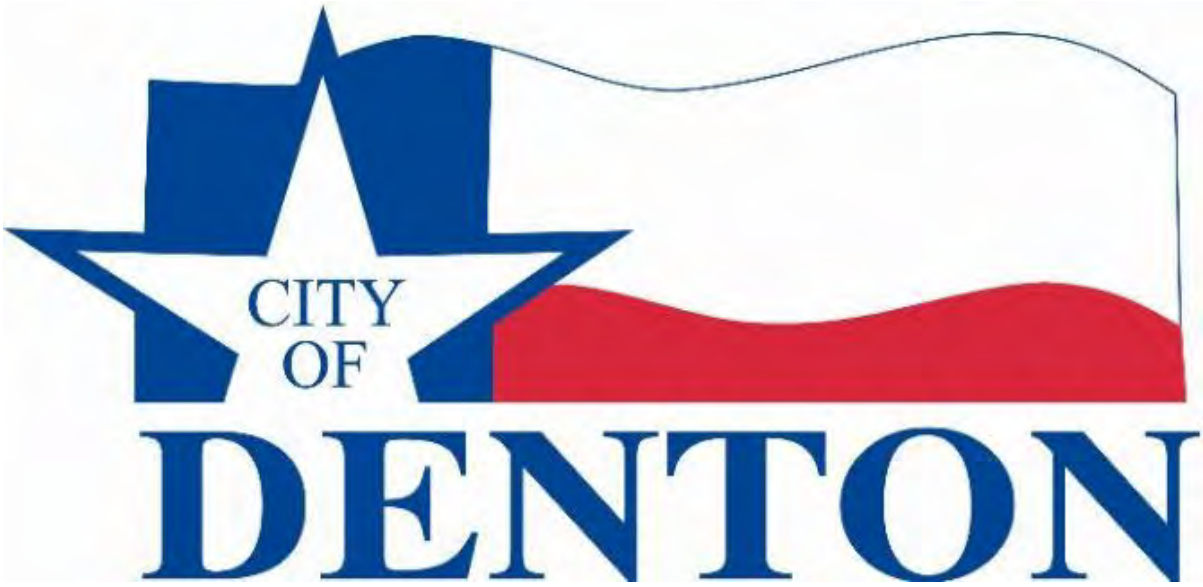
CITY OF DENTON, TEXAS **Exhibit XII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2012	$ 11,475,702	$ 10,435,001	$ (1,040,701)	$ 60,340,212	17.29%
2013	12,174,640	12,171,482	(3,158)	64,940,234	18.74%
2014	12,912,746	12,911,461	(1,285)	69,872,024	18.48%
2015	13,507,272	13,507,272	-	75,379,632	17.92%
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%
2019	16,035,042	16,035,042	-	94,158,313	17.03%
2020	17,562,597	17,562,597	-	101,964,029	17.22%
2021	17,794,920	17,794,920	-	101,641,023	17.51%

Notes to Schedule:
Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2021:

Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Level Percentage of Payroll, Closed**
Remaining Amortization Period	**25 Years (Equivalent Single Amortization Period of 14.6 years)**
Asset Valuation Method	**10 Year Smoothed Market; 12% Soft Corridor**
Inflation	**2.50%**
Salary Increases	**3.50% to 11.50% including inflation**
Investment Rate of Return	**6.75%**
Retirement Age	**Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.**
Mortality	**Post-retirement: 2019 Municipal Retiress of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.** **Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employees table used for females. The rates are projected on a fully generational basis with scale UMP.**
Other	**There were not benefit changes during the year**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CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total pension liability:					
Service Cost	$ 2,747,253	$ 2,836,263	$ 3,089,911	$ 3,182,608	$ 3,615,495
Interest (on the total pension liability)	5,685,396	5,998,959	6,135,588	6,493,255	7,049,261
Difference between expected and actual experience	-	(2,063,421)	-	2,040,716	-
Change of assumptions	-	2,331,908	-	-	-
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)
Net change in total pension liability	4,396,640	5,055,351	4,955,493	7,947,750	6,608,900
Total pension liability - beginning	80,490,694	84,887,334	89,942,685	94,898,178	102,845,928
Total pension liability - ending (a)	$ 84,887,334	$ 89,942,685	$ 94,898,178	$ 102,845,928	$ 109,454,828
Plan fiduciary net position:					
Contributions - employer	$ 2,566,875	$ 2,567,219	$ 2,759,844	$ 2,979,807	$ 3,434,007
Contributions - employee	1,745,419	1,803,064	1,997,155	2,142,990	2,338,837
Net investment income	4,411,066	(3,287,188)	6,935,215	8,793,234	(183,148)
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)
Administrative expense	(81,005)	(76,538)	(94,175)	(63,669)	(87,899)
Net change in plan fiduciary net position	4,606,346	(3,041,801)	7,328,033	10,083,533	1,445,941
Plan fiduciary net position - beginning	66,412,172	71,018,518	67,976,717	75,304,750	85,388,283
Plan fiduciary net position - ending (b)	$ 71,018,518	$ 67,976,717	$ 75,304,750	$ 85,388,283	$ 86,834,224
Net pension liability - ending (a) - (b)	$ 13,868,816	$ 21,965,968	$ 19,593,428	$ 17,457,645	$ 22,620,604
Plan fiduciary net position as a percentage of total pension liability	83.66%	75.58%	79.35%	83.03%	79.33%
Covered payroll	$ 14,238,486	$ 14,310,032	$ 15,850,437	$ 17,007,857	$ 18,562,198
Net pension liability as a percentage of covered payroll	97.40%	153.50%	123.61%	102.64%	121.86%

(continued on the following page)

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2019	Measurement Year 2020
Total pension liability:		
Service Cost	$ 3,723,960	$ 4,252,475
Interest (on the total pension liability)	7,497,583	8,293,527
Difference between expected and actual experience	1,526,958	-
Change of assumptions	3,446,011	-
Benefit payments, including refunds of employee contributions	(4,206,975)	(5,655,539)
Net change in total pension liability	11,987,537	6,890,463
Total pension liability - beginning	109,454,828	121,442,365
Total pension liability - ending (a)	$ 121,442,365	$ 128,332,828
Plan fiduciary net position:		
Contributions - employer	$ 3,639,740	$ 4,069,311
Contributions - employee	2,478,958	2,771,532
Net investment income	15,141,275	12,313,949
Benefit payments, including refunds of employee contributions	(4,206,975)	(5,655,539)
Administrative expense	(71,427)	(116,909)
Net change in plan fiduciary net position	16,981,571	13,382,344
Plan fiduciary net position - beginning	86,834,224	103,815,795
Plan fiduciary net position - ending (b)	$ 103,815,795	$ 117,198,139
Net pension liability - ending (a) - (b)	$ 17,626,570	$ 11,134,689
Plan fiduciary net position as a percentage of total pension liability	85.49%	91.32%
Covered payroll	$ 19,674,270	$ 21,996,287
Net pension liability as a percentage of covered payroll	89.59%	50.62%

(concluded)

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

CITY OF DENTON, TEXAS **Exhibit XIV**
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2012	$ 2,253,667	$ 2,253,667	$ -	$ 12,899,800	17.47%
2013	2,579,453	2,579,453	-	13,629,825	18.93%
2014	2,576,652	2,576,652	-	13,828,070	18.63%
2015	2,535,719	2,535,719	-	14,029,051	18.07%
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%
2019	3,610,711	3,610,711	-	19,517,358	18.50%
2020	3,838,014	3,838,014	-	20,746,026	18.50%
2021	4,158,368	4,158,368	-	22,477,667	18.50%

Notes to Schedule:
Annual required contributions are not actuarially determined. In accordance with city ordinance since 2017, the City has contributed to the Firemen's Relief and Retirement Fund at the rate of 18.5%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy in the December 31, 2019 actuarial valuation:

Actuarial Cost Method	**Entry Age**
Amortization Method	**Level Percentage of Payroll, Open**
Remaining Amortization Period	**17.3 Years**
Asset Valuation Method	**5-year smoothing**
Inflation	**2.50%**
Salary Increases	**3.00% annual general compensation increase plus promotion, step, and longevity increases which average 1.98% per year over a 30-year career**
Investment Rate of Return	**6.75%, net of pension plan investment expense, including inflation**
Retirement Age	**Average expected age at retirement of 57**
Mortality	**PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (sec distinct), projected for morality improvement generationally using the projection scale MP-2019**

CITY OF DENTON, TEXAS **Exhibit XV**

REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1,2]

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Service Cost	$ 1,750,172	$ 1,995,008	$ 2,052,606	$ 2,884,792
Interest (on the total OPEB liability)	1,360,179	1,329,949	1,507,925	1,186,428
Difference between expected and actual experience	-	(150,485)	(1,512,289)	329,072
Change of assumptions or other inputs	2,067,787	(1,724,923)	1,444,810	3,664,984
Benefit payments	(742,818)	(899,361)	(1,126,992)	(1,695,382)
Net change in total OPEB liability	4,435,320	550,188	2,366,060	6,369,894
Total OPEB liability - beginning	35,196,570	39,631,890	40,182,078	42,548,138
Total OPEB liability - ending	$ 39,631,890	$ 40,182,078	$ 42,548,138	$ 48,918,032
Covered-employee payroll	$ 104,783,403	$ 109,480,718	$ 118,063,295	$ 130,944,182
Net pension liability as a percentage of covered-employee payroll	37.82%	36.70%	36.04%	37.36%

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

[2]**There are no assets accumlated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.**

Methods and assumptions used to determine contribution rate for 2021:

Actuarial cost method	**Individual Entry-Age Normal**
Discount rate	**2.00% (Based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2020.) The prior year discount rate was 2.75%.**
Inflation rate	**2.50%**
Projected salary increases	**3.5% to 11.5% for TMRS and 3.00% to 9.18% for Fire, including inflation**
Demographic assumptions	**Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in the December 31, 2019 actuarial valuation for the Denton Firemen's Relief and Retirement Fund.**
Healthcare trend rates	**Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.**
Mortality	**TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.** **Fire: For healthy retirees, the gender-distinct PubS-2010 (safety employees) total data set mortality tables are used. The rates are projected on a fully generational basis using the project scale MP-2019.**
Participation rates	**60% for employees retiring at age 65 or older;** **45% for employees retiring between the ages of 50 and 64;** **5% for employees retiring between the ages of 45 and 49;** **0% for employees retiring before the ages of 45.**

CITY OF DENTON, TEXAS **Exhibit XVI**

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1,2]

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Service Cost	$ 144,886	$ 176,359	$ 152,989	$ 236,668
Interest (on the total OPEB liability)	106,885	110,831	130,143	115,434
Difference between expected and actual experience	-	155,143	(284,991)	(28,782)
Change of assumptions or other inputs	270,541	(247,941)	680,198	720,927
Benefit payments	(17,045)	(17,636)	(28,686)	(32,273)
Net change in total OPEB liability	505,267	176,756	649,653	1,011,974
Total OPEB liability - beginning	2,763,726	3,268,993	3,445,749	4,095,402
Total OPEB liability - ending	$ 3,268,993	$ 3,445,749	$ 4,095,402	$ 5,107,376
Covered-employee payroll	$ 85,227,078	$ 88,179,581	$ 95,618,386	$ 107,576,172
Net pension liability as a percentage of covered-employee payroll	3.84%	3.91%	4.28%	4.75%

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

[2]**There are no assets accumlated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.**

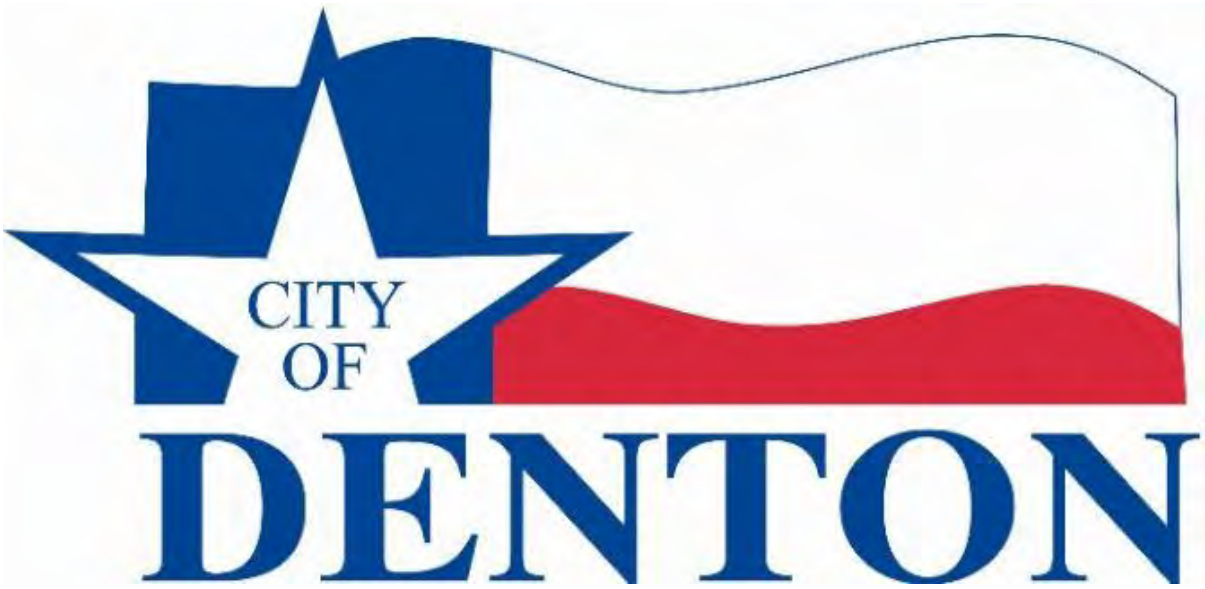
Methods and assumptions used to determine contribution rate for 2021:

Inflation rate	**2.50% per annum**
Discount rate	**2.00% (Based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2020.) The prior year discount rate was 2.75%.**
Actuarial cost method	**Entry Age Normal**
Projected salary increases	**3.5% to 11.5% including inflation**
Retirees' share of benefit-related costs	**$0**
Administrative expenses	**All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.**
Mortality rates - service retirees	**2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.**
Mortality rates - disabled retirees	**2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.**

CITY OF DENTON, TEXAS **Exhibit XVII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 27,153,185	$ 27,153,185	$ 27,174,294	$ -	$ 27,174,294	$ 21,109
Investment revenue	300,000	300,000	155,984	-	155,984	(144,016)
Total revenues	27,453,185	27,453,185	27,330,278	-	27,330,278	(122,907)
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	90,312,780	90,312,780	28,741,212	61,076,051	89,817,263	495,517
Bond issuance costs	-	-	10,123	(10,123)	-	-
Total expenditures	90,312,780	90,312,780	28,751,335	61,065,928	89,817,263	495,517
Excess (deficiency) of revenues over (under) expenditures	(62,859,595)	(62,859,595)	(1,421,057)	(61,065,928)	(62,486,985)	372,610
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	1,415,000	(1,415,000)	-	-
Payment to refunded bond escrow agent	-	-	(1,691,409)	1,691,409	-	-
Premium on debt issuance	-	-	290,223	(290,223)	-	-
Transfers in	62,109,595	62,109,595	762,923	61,076,051	61,838,974	(270,621)
Total other financing sources (uses)	62,109,595	62,109,595	776,737	61,062,237	61,838,974	(270,621)
Net change in fund balance	(750,000)	(750,000)	(644,320)	(3,691)	(648,011)	101,989
Fund balance at beginning of year	5,325,062	5,325,062	5,325,062	-	5,325,062	-
Fund balance at end of year	$ 4,575,062	$ 4,575,062	$ 4,680,742	$ (3,691)	$ 4,677,051	$ 101,989

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant (CDBG) – to account for the operations of projects utilizing Community Development Block Grant Funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Recreation – to account for the revenues and expenditures for the recreation programs that are self-supporting. All expenditures will be reimbursed 100%. Various business operations, such as concessions, fall into this account.

Criminal Justice – to account for revenue received from the State of Texas Criminal Justice Division and other grants administered by the police department.

Police Confiscation – to account for revenues received from confiscated goods. Expenditures are restricted to enhancing law enforcement.

Tourist and Convention – to account for taxes received from hotel and motel occupancy for the purpose of promoting tourism.

Street Improvement – to account for street maintenance and improvement activities.

Gas Well Revenues – to account for the receipt of royalty, pooling, tax, and lease revenue related to park gas wells.

Citizens' Park Trusts – to account for several small trust funds that are for park development.

All Other – to account for miscellaneous special revenue sources that are required to finance specific activities.

CITY OF DENTON, TEXAS **Exhibit XVIII**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2021

	Special Revenue Funds				
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation	Tourist and Convention
ASSETS					
Cash, cash equivalents and investments, at fair value	$ -	$ 468,182	$ -	$ 531,754	$ 1,511,989
Receivables (net of allowances):					
Taxes	-	-	-	-	286,156
Accrued interest	-	582	-	662	1,883
Other	-	6,923	-	1,085	-
Due from other governments	1,240,221	-	50,508	-	-
Total assets	$ 1,240,221	$ 475,687	$ 50,508	$ 533,501	$ 1,800,028
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	526,119	190,168	3,435	-	194,143
Interfund payables	506,514	-	47,073	-	-
Retainage payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	1,032,633	190,168	50,508	-	194,143
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - general services	-	8,697	-	-	-
Unavailable revenue - intergovernmental	13,788	-	-	-	-
Total deferred inflows of revenues	13,788	8,697	-	-	-
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	-	-	-	-
Streets and drainage projects	-	-	-	-	-
Other grants and purposes	207,589	-	-	533,501	1,605,885
Committed to:					
Streets	-	-	-	-	-
Parks and recreation	-	276,822	-	-	-
Other purposes	-	-	-	-	-
Assigned to:					
Other purposes	-	-	-	-	-
Unassigned	(13,789)	-	-	-	-
Total fund balance (deficit)	193,800	276,822	-	533,501	1,605,885
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 1,240,221	$ 475,687	$ 50,508	$ 533,501	$ 1,800,028

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XVIII**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (concluded)
AS OF SEPTEMBER 30, 2021

	Special Revenue Funds				Total
	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	Nonmajor Governmental Funds
ASSETS					
Cash, cash equivalents and investments, at fair value	$ 6,242,570	$ 44,600	$ 7,310,575	$ 16,421,551	$ 32,531,221
Receivables (net of allowances):	-				
Taxes	-	-	-	-	286,156
Accrued interest	7,776	56	9,106	13,218	33,283
Other	-	10,310	-	107,762	126,080
Due from other governments	-	-	-	1,235,283	2,526,012
Total assets	$ 6,250,346	$ 54,966	$ 7,319,681	$ 17,777,814	$ 35,502,752
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	1,746,708	-	18,967	150,486	2,830,026
Interfund payables	-	-	-	-	553,587
Retainage payable	-	-	28,183	-	28,183
Unearned revenues	-	-	-	30,089	30,089
Total liabilities	1,746,708	-	47,150	180,575	3,441,885
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - general services	-	-	-	-	8,697
Unavailable revenue - intergovernmental	-	-	-	803,412	817,200
Total deferred inflows of revenues	-	-	-	803,412	825,897
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	54,966	7,272,531	142,809	7,470,306
Streets and drainage projects	-	-	-	10,383,361	10,383,361
Other grants and purposes	-	-	-	2,425,007	4,771,982
Committed to:					
Streets	4,503,638	-	-	-	4,503,638
Parks and recreation	-	-	-	-	276,822
Other purposes	-	-	-	4,638,126	4,638,126
Assigned to:					
Other purposes	-	-	-	271	271
Unassigned	-	-	-	(795,747)	(809,536)
Total fund balance (deficit)	4,503,638	54,966	7,272,531	16,793,827	31,234,970
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 6,250,346	$ 54,966	$ 7,319,681	$ 17,777,814	$ 35,502,752

(concluded)

CITY OF DENTON, TEXAS **Exhibit XIX**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds				
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation	Tourist and Convention
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ -	$ 3,074,942
Franchise fees	-	-	-	-	-
Fines and forfeitures	-	-	-	17,829	-
Fees for services	-	1,290,836	-	-	-
Investment revenue	-	803	-	2,844	2,493
Intergovernmental	3,440,808	-	177,410	-	-
Miscellaneous	131,528	20,790	-	122,553	-
Total revenues	3,572,336	1,312,429	177,410	143,226	3,077,435
EXPENDITURES:					
Current:					
General government	3,669,146	-	-	-	2,792,007
Public safety	-	-	156,365	57,918	-
Public works	-	-	-	-	-
Parks and recreation	-	4,984,921	-	-	-
Capital outlay	-	-	-	62,612	-
Total expenditures	3,669,146	4,984,921	156,365	120,530	2,792,007
Excess (deficiency) of revenues over (under) expenditures	(96,810)	(3,672,492)	21,045	22,696	285,428
OTHER FINANCING SOURCES (USES):					
Transfers in	-	3,699,937	-	-	-
Transfers out	-	(144,580)	-	-	(18,000)
Total other financing sources (uses)	-	3,555,357	-	-	(18,000)
Net change in fund balances	(96,810)	(117,135)	21,045	22,696	267,428
Fund balance (deficit) at beginning of year	290,610	393,957	(21,045)	510,805	1,338,457
Fund balance (deficit) at end of year	$ 193,800	$ 276,822	$ -	$ 533,501	$ 1,605,885

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XIX**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ 1,589,946	$ 4,664,888
Franchise fees	14,085,090	-	-	-	14,085,090
Fines and forfeitures	-	-	-	-	17,829
Fees for services	24,873	50,813	1,254,518	96,188	2,717,228
Investment revenue	386	124	14,850	31,034	52,534
Intergovernmental	-	-	-	2,583,319	6,201,537
Miscellaneous	329	-	-	4,889,322	5,164,522
Total revenues	14,110,678	50,937	1,269,368	9,189,809	32,903,628
EXPENDITURES:					
Current:					
General government	-	-	-	1,040,270	7,501,423
Public safety	-	-	-	744,521	958,804
Public works	10,737,045	-	-	1,541	10,738,586
Parks and recreation	-	-	366,164	31,648	5,382,733
Capital outlay	-	-	1,337,880	2,079,334	3,479,826
Total expenditures	10,737,045	-	1,704,044	3,897,314	28,061,372
Excess (deficiency) of revenues over (under) expenditures	3,373,633	50,937	(434,676)	5,292,495	4,842,256
OTHER FINANCING SOURCES (USES):					
Transfers in	1,148,511	-	-	102,137	4,950,585
Transfers out	(4,522,144)	(50,000)	-	(1,025,209)	(5,759,933)
Total other financing sources (uses)	(3,373,633)	(50,000)	-	(923,072)	(809,348)
Net change in fund balances	-	937	(434,676)	4,369,423	4,032,908
Fund balance (deficit) at beginning of year	4,503,638	54,029	7,707,207	12,424,404	27,202,062
Fund balance (deficit) at end of year	$ 4,503,638	$ 54,966	$ 7,272,531	$ 16,793,827	$ 31,234,970

(concluded)

CITY OF DENTON, TEXAS **Exhibit XX**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: RECREATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for services	$ 1,842,786	$ 1,842,786	$ 1,290,836	$ -	$ 1,290,836	$ (551,950)
Investment revenue	12,875	12,875	803	-	803	(12,072)
Miscellaneous	31,068	31,068	20,790	-	20,790	(10,278)
Total revenues	1,886,729	1,886,729	1,312,429	-	1,312,429	(574,300)
EXPENDITURES:						
Current:						
Parks and recreation	5,113,456	5,113,456	4,984,921	(1,315,001)	3,669,920	1,443,536
Capital outlay	-	-	-	-	-	-
Total expenditures	5,113,456	5,113,456	4,984,921	(1,315,001)	3,669,920	1,443,536
Excess (deficit) of revenues over (under) expenditures	(3,226,727)	(3,226,727)	(3,672,492)	1,315,001	(2,357,491)	869,236
OTHER FINANCING SOURCES (USES):						
Transfers in	4,544,111	4,544,111	3,699,937	-	3,699,937	(844,174)
Transfers out	(1,440,001)	(1,440,001)	(144,580)	(1,315,001)	(1,459,581)	(19,580)
Total other financing sources (uses)	3,104,110	3,104,110	3,555,357	(1,315,001)	2,240,356	(863,754)
Net change in fund balance	(122,617)	(122,617)	(117,135)	-	(117,135)	5,482
Fund balance at beginning of year	393,957	393,957	393,957	-	393,957	-
Fund balance at end of year	$ 271,340	$ 271,340	$ 276,822	$ -	$ 276,822	$ 5,482

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS **Exhibit XXI**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: POLICE CONFISCATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fines and forfeitures	$ -	$ -	$ 17,829	$ -	$ 17,829	$ 17,829
Investment revenue	-	-	2,844	-	2,844	2,844
Miscellaneous	-	-	122,553	-	122,553	122,553
Total revenues	-	-	143,226	-	143,226	143,226
EXPENDITURES:						
Current:						
Public safety	122,152	122,152	57,918	-	57,918	64,234
Capital outlay	97,105	97,105	62,612	-	62,612	34,493
Total expenditures	219,257	219,257	120,530	-	120,530	98,727
Net change in fund balance	(219,257)	(219,257)	22,696	-	22,696	241,953
Fund balance at beginning of year	510,805	510,805	510,805	-	510,805	-
Fund balance at end of year	$ 291,548	$ 291,548	$ 533,501	$ -	$ 533,501	$ 241,953

CITY OF DENTON, TEXAS **Exhibit XXII**

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: TOURIST AND CONVENTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 2,555,264	$ 2,555,264	$ 3,074,942	$ -	$ 3,074,942	$ 519,678
Investment revenue	-	-	2,493	-	2,493	2,493
Total revenues	2,555,264	2,555,264	3,077,435	-	3,077,435	522,171
EXPENDITURES:						
Current:						
General government	2,728,530	2,728,530	2,792,007	-	2,792,007	(63,477)
Total expenditures	2,728,530	2,728,530	2,792,007	-	2,792,007	(63,477)
Excess (deficit) of revenues over (under) expenditures	(173,266)	(173,266)	285,428	-	285,428	458,694
OTHER FINANCING SOURCES (USES):						
Transfers out	-	-	(18,000)	-	(18,000)	(18,000)
Total other financing sources (uses)	-	-	(18,000)	-	(18,000)	(18,000)
Net change in fund balance	(173,266)	(173,266)	267,428	-	267,428	440,694
Fund balance at beginning of year	1,338,457	1,338,457	1,338,457	-	1,338,457	-
Fund balance at end of year	$ 1,165,191	$ 1,165,191	$ 1,605,885	$ -	$ 1,605,885	$ 440,694

CITY OF DENTON, TEXAS **Exhibit XXIII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: STREET IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Franchise fees	$ 13,634,688	$ 13,634,688	$ 14,085,090	$ -	$ 14,085,090	$ 450,402
Fees for services	378,851	378,851	24,873	-	24,873	(353,978)
Investment revenue	45,000	45,000	386	-	386	(44,614)
Miscellaneous	-	-	329	-	329	329
Total revenues	14,058,539	14,058,539	14,110,678	-	14,110,678	52,139
EXPENDITURES:						
Current:						
Public Works	14,273,272	14,273,272	10,737,045	-	10,737,045	3,536,227
Debt service:						
Principal retirement	59,165	59,165	-	-	-	59,165
Total expenditures	14,332,437	14,332,437	10,737,045	-	10,737,045	3,595,392
Excess (deficit) of revenues over (under) expenditures	(273,898)	(273,898)	3,373,633	-	3,373,633	3,647,531
OTHER FINANCING SOURCES (USES):						
Transfers in	1,243,811	1,243,811	1,148,511	-	1,148,511	(95,300)
Transfers out	(1,561,320)	(1,561,320)	(4,522,144)	-	(4,522,144)	(2,960,824)
Total other financing sources (uses)	(317,509)	(317,509)	(3,373,633)	-	(3,373,633)	(3,056,124)
Net change in fund balance	(591,407)	(591,407)	-	-	-	591,407
Fund balance at beginning of year	4,503,638	4,503,638	4,503,638	-	4,503,638	-
Fund balance at end of year	$ 3,912,231	$ 3,912,231	$ 4,503,638	$ -	$ 4,503,638	$ 591,407

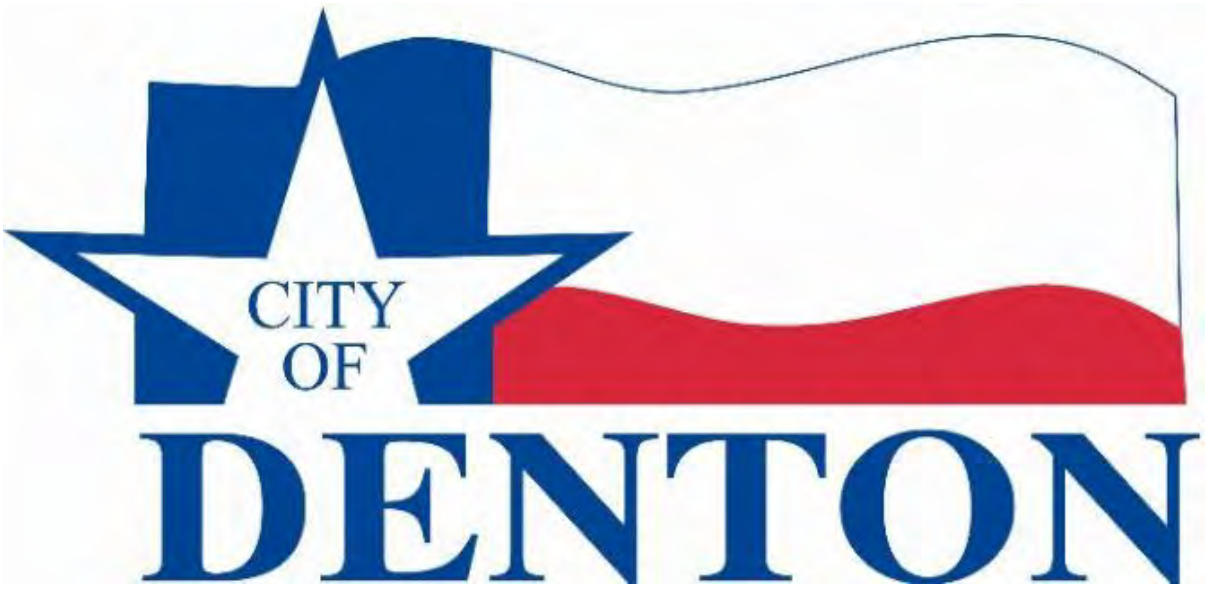
Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS **Exhibit XXIV**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: GAS WELL REVENUES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 20,000	$ 20,000	$ 50,813	$ -	$ 50,813	$ 30,813
Investment revenue	400	400	124	-	124	(276)
Total revenues	20,400	20,400	50,937	-	50,937	30,537
Excess of revenues over expenditures	20,400	20,400	50,937	-	50,937	30,537
OTHER FINANCING USES:						
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)	-
Total other financing uses	(50,000)	(50,000)	(50,000)	-	(50,000)	-
Net change in fund balance	(29,600)	(29,600)	937	-	937	30,537
Fund balance at beginning of year	54,029	54,029	54,029	-	54,029	-
Fund balance at end of year	$ 24,429	$ 24,429	$ 54,966	$ -	$ 54,966	$ 30,537

CITY OF DENTON, TEXAS **Exhibit XXV**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: CITIZENS' PARK TRUSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ -	$ -	$ 1,254,518	$ -	$ 1,254,518	$ 1,254,518
Investment revenue	-	-	14,850	-	14,850	14,850
Total revenues	-	-	1,269,368	-	1,269,368	1,269,368
EXPENDITURES:						
Current:						
Parks and recreation	-	-	366,164	-	366,164	(366,164)
Capital outlay	-	-	1,337,880	-	1,337,880	(1,337,880)
Total expenditures	-	-	1,704,044	-	1,704,044	(1,704,044)
Net change in fund balance	-	-	(434,676)	-	(434,676)	(434,676)
Fund balance at beginning of year	7,707,207	7,707,207	7,707,207	-	7,707,207	-
Fund balance at end of year	$ 7,707,207	$ 7,707,207	$ 7,272,531	$ -	$ 7,272,531	$ (434,676)


CITY
OF
DENTON

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department for another.

The City has the following Internal Service Funds:

Materials Management Fund – to account for the financing of goods and services provided by the Materials Management operations of purchasing and warehouse to other City departments. Purchasing is responsible for procuring goods and services for City departments, and the warehouse maintains an inventory of materials and supplies used by City departments. Warehouse items are billed to other departments.

Fleet Services Fund – to account for the financing of goods and services provided by the Municipal Garage and Machine Shop to other City departments. Municipal Garage and Machine Shop billings include cost of parts and labor and administrative charges. Actual costs include depreciation on the building, improvements, machinery, and equipment used to provide the service.

Health Insurance Fund – to account for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, dental insurance, and vision insurance.

Risk Retention Fund – to account for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City operations.

Technology Services Fund – to account for the accumulation of resources to provide computer services such as programming, support, training, maintenance, and office services to City departments.

Engineering Services Fund – to account for providing engineering, real estate, public works inspection, and development review services primarily to internal City departments although some services are provided to external entities.

Customer Service Fund – to account for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

Facilities Fund – to account for the maintenance of all city-owned facilities and vertical construction projects.

CITY OF DENTON, TEXAS **Exhibit XXVI**
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2021

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 1,051,239	$ 1,459,411	$ 5,389,371	$ 1,964,617
Receivables, net of allowances:				
Accrued interest	-	1,818	6,713	2,447
Other	-	173,663	-	45,328
Merchandise inventory	10,679,472	96,868	-	-
Prepaid items	10,920	-	-	-
Total current assets	11,741,631	1,731,760	5,396,084	2,012,392
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	-	2,887,008	-	-
Accrued interest	-	3,596	-	-
Escrow deposit	-	-	206,000	10,000
Capital assets, net of accumulated depreciation	726,044	4,174,055	-	-
Total noncurrent assets	726,044	7,064,659	206,000	10,000
Total assets	12,467,675	8,796,419	5,602,084	2,022,392
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	1,401	460	-	-
Deferred pension balances	264,968	308,209	-	120,942
Deferred other post employment benefits balances	122,412	136,384	-	47,045
Total deferred outflows of resources	388,781	445,053	-	167,987
LIABILITIES:				
Current liabilities:				
Accounts payable	1,438,736	575,561	569,013	492,868
Claims payable	-	-	1,962,033	841,500
Compensated absences payable	93,907	143,297	-	38,902
Deposits	-	-	-	-
Accrued interest	472	17,001	-	-
Interfund payables	10,000,000	-	-	-
Certificate and general obligation bonds	47,726	162,710	-	-
Total current liabilities	11,580,841	898,569	2,531,046	1,373,270
Noncurrent liabilities:				
Payable from restricted assets:				
General obligation bonds payable	47,475	15,565	-	-
Certificates of obligation	-	2,795,398	-	-
Compensated absences payable	1,811	55,422	-	13,006
Claims payable	-	-	-	2,955,762
Net pension liability	766,314	948,033	-	488,623
Total other post-employment benefits liability	810,343	867,412	-	387,291
Total noncurrent liabilities:	1,625,943	4,681,830	-	3,844,682
Total liabilities	13,206,784	5,580,399	2,531,046	5,217,952
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension balances	190,513	214,857	-	87,885
Deferred other post employment benefits balances	35,022	42,635	-	16,192
Total deferred inflows of resources	225,535	257,492	-	104,077
NET POSITION:				
Net investment in capital assets	632,244	4,091,446	-	-
Unrestricted	(1,208,107)	(687,865)	3,071,038	(3,131,650)
Total net position	$ (575,863)	$ 3,403,581	$ 3,071,038	$ (3,131,650)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVI**
COMBINING STATEMENT OF NET POSITION (concluded)
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2021

	Technology Services Fund	Engineering Services Fund	Customer Service Fund	Facilities Fund	Total Internal Service Funds
ASSETS:					
Current assets:					
Cash, cash equivalents and investments, at fair value	$ 6,997,296	$ 1,021,536	$ 792,423	$ 334,473	$ 19,010,366
Receivables, net of allowances:					
Accrued interest	8,716	1,272	981	417	22,364
Other	-	394,192	7,691	-	620,874
Merchandise inventory	-	-	-	-	10,776,340
Prepaid items	31,834	-	-	-	42,754
Total current assets	7,037,846	1,417,000	801,095	334,890	30,472,698
Noncurrent assets:					
Restricted assets:					
Cash, cash equivalents and investments, at fair value	34,726	-	1,251,205	-	4,172,939
Accrued interest	43	-	1,558	-	5,197
Escrow deposit	-	-	-	-	216,000
Capital assets, net of accumulated depreciation	8,065,868	53,022	112,650	1,339,967	14,471,606
Total noncurrent assets	8,100,637	53,022	1,365,413	1,339,967	18,865,742
Total assets	15,138,483	1,470,022	2,166,508	1,674,857	49,338,440
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charges on refunding	-	-	-	-	1,861
Deferred pension balances	869,905	696,963	347,997	187,123	2,796,107
Deferred other post employment benefits balances	293,421	218,610	199,682	79,660	1,097,214
Total deferred outflows of resources	1,163,326	915,573	547,679	266,783	3,895,182
LIABILITIES:					
Current liabilities:					
Accounts payable	888,033	438,348	140,628	240,344	4,783,531
Claims payable	-	-	-	-	2,803,533
Compensated absences payable	394,196	269,832	149,492	37,632	1,127,258
Deposits	-	378,075	-	-	378,075
Accrued interest	3,950	-	7,439	-	28,862
Interfund payables	-	-	-	-	10,000,000
Certificate and general obligation bonds	317,639	-	49,481	-	577,556
Total current liabilities	1,603,818	1,086,255	347,040	277,976	19,698,815
Noncurrent liabilities:					
Payable from restricted assets:					
General obligation bonds payable	-	-	-	-	63,040
Certificates of obligation	652,907	-	1,250,788	-	4,699,093
Compensated absences payable	37,935	10,955	-	35,431	154,560
Claims payable	-	-	-	-	2,955,762
Net pension liability	2,365,768	1,647,789	1,569,201	804,375	8,590,103
Total other post-employment benefits liability	1,905,736	1,318,963	1,298,339	537,871	7,125,955
Total noncurrent liabilities:	4,962,346	2,977,707	4,118,328	1,377,677	23,588,513
Total liabilities	6,566,164	4,063,962	4,465,368	1,655,653	43,287,328
DEFERRED INFLOWS OF RESOURCES:					
Deferred pension balances	616,301	654,378	250,894	181,817	2,196,645
Deferred other post employment benefits balances	87,903	79,838	61,441	26,563	349,594
Total deferred inflows of resources	704,204	734,216	312,335	208,380	2,546,239
NET POSITION:					
Net investment in capital assets	7,130,048	53,022	63,586	1,339,967	13,310,313
Unrestricted	1,901,393	(2,465,605)	(2,127,102)	(1,262,360)	(5,910,258)
Total net position	$ 9,031,441	$ (2,412,583)	$ (2,063,516)	$ 77,607	$ 7,400,055

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
OPERATING REVENUES:				
Charges for goods and services	$ 12,106,480	$ 11,552,032	$ 26,310,098	$ 6,216,357
Miscellaneous	92,714	17,256	1,744,863	150,308
Total operating revenues	12,199,194	11,569,288	28,054,961	6,366,665
OPERATING EXPENSES:				
Operating expenses before depreciation	12,204,683	11,243,262	28,070,426	6,657,573
Depreciation	20,853	230,094	-	-
Total operating expenses	12,225,536	11,473,356	28,070,426	6,657,573
Operating income (loss)	(26,342)	95,932	(15,465)	(290,908)
NONOPERATING REVENUES (EXPENSES):				
Investment revenue	358	(7,433)	3,926	4,701
Interest expense and fiscal charges	(5,201)	(20,630)	-	-
Other non-operating expenses	-	2,500	-	-
Total non-operating revenues (expenses)	(4,843)	(25,563)	3,926	4,701
Income (loss) before contributions and transfers	(31,185)	70,369	(11,539)	(286,207)
Transfers in	-	-	-	-
Transfers out	(232)	-	-	(60,146)
Total contributions and transfers	(232)	-	-	(60,146)
Change in net position	(31,417)	70,369	(11,539)	(346,353)
Net position at beginning of year	(544,446)	3,333,212	3,082,577	(2,785,297)
Total net position at end of year	$ (575,863)	$ 3,403,581	$ 3,071,038	$ (3,131,650)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Technology Services Fund	Engineering Services Fund	Customer Service Fund	Facilities Fund	Total Internal Service Funds
OPERATING REVENUES:					
Charges for goods and services	$ 17,658,156	$ 7,125,784	$ 5,849,849	$ 5,001,668	$ 91,820,424
Miscellaneous	45,947	-	9,777	909	2,061,774
Total operating revenues	17,704,103	7,125,784	5,859,626	5,002,577	93,882,198
OPERATING EXPENSES:					
Operating expenses before depreciation	15,770,331	7,152,467	5,543,879	4,678,701	91,321,322
Depreciation	3,518,982	11,463	10,180	124,836	3,916,408
Total operating expenses	19,289,313	7,163,930	5,554,059	4,803,537	95,237,730
Operating income (loss)	(1,585,210)	(38,146)	305,567	199,040	(1,355,532)
NONOPERATING REVENUES (EXPENSES):					
Investment revenue	6,913	413	(5,506)	2,817	6,189
Interest expense and fiscal charges	(18,324)	-	(7,707)	-	(51,862)
Other non-operating expenses	-	6,047	-	-	8,547
Total non-operating revenues (expenses)	(11,411)	6,460	(13,213)	2,817	(37,126)
Income (loss) before contributions and transfers	(1,596,621)	(31,686)	292,354	201,857	(1,392,658)
Transfers in	300,000	-	-	-	300,000
Transfers out	(50,000)	-	-	(307,000)	(417,378)
Total contributions and transfers	250,000	-	-	(307,000)	(117,378)
Change in net position	(1,346,621)	(31,686)	292,354	(105,143)	(1,510,036)
Net position at beginning of year	10,378,062	(2,380,897)	(2,355,870)	182,750	8,910,091
Total net position at end of year	$ 9,031,441	$ (2,412,583)	$ (2,063,516)	$ 77,607	$ 7,400,055

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXVIII**
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

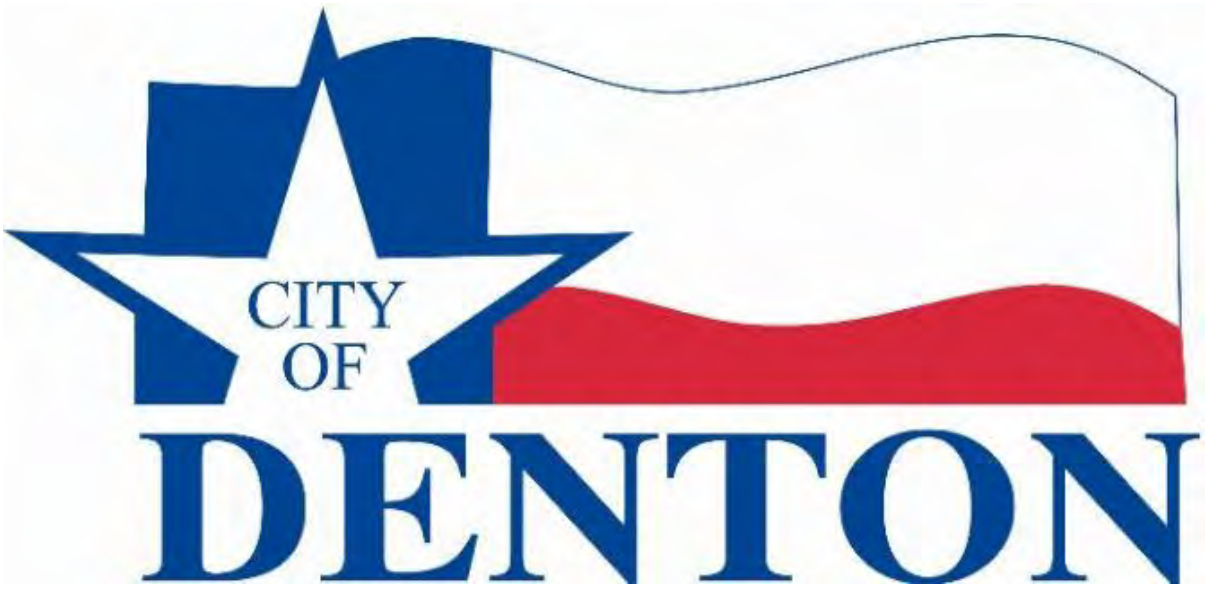
	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 12,199,194	$ 11,451,782	$ 28,054,961	$ 6,615,671
Cash paid to employees for services	(2,239,437)	(2,620,711)	-	(913,089)
Cash paid to suppliers	(10,007,052)	(8,972,226)	(27,585,895)	(4,952,216)
Net cash provided (used) by operations	(47,295)	(141,155)	469,066	750,366
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(232)	-	-	(60,146)
Transfers in	-	-	-	-
Net cash provided (used) by noncapital financing activities	(232)	-	-	(60,146)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Principal payments on capital debt	(43,292)	(54,194)	-	-
Interest and fiscal charges	(4,645)	(6,022)	-	-
Proceeds from issuance of debt	-	2,901,499	-	-
Proceeds from capital contributions and transfers in	-	-	-	-
Acquisition and construction of capital assets	-	(57,483)	-	-
Net cash provided (used) by capital financing activities	(47,937)	2,783,800	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	-	106,934	5,005,264	275,270
Purchase of investment securities	-	(1,615,976)	(5,094,560)	(637,753)
Interest received on investments	358	5,279	9,338	5,387
Net cash provided (used) by investing activities	358	(1,503,763)	(79,958)	(357,096)
Net increase (decrease) in cash and cash equivalents	(95,106)	1,138,882	389,108	333,124
Cash and cash equivalents at beginning of year	1,146,345	628,436	1,802,290	465,718
Cash and cash equivalents at end of year	1,051,239	1,767,318	2,191,398	798,842
Investments, at fair value	-	2,579,101	3,197,973	1,165,775
Cash, cash equivalents and investments, at fair value	$ 1,051,239	$ 4,346,419	$ 5,389,371	$ 1,964,617
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (26,342)	$ 95,932	$ (15,465)	$ (290,908)
Adjustments:				
Depreciation expense	20,853	230,094	-	-
Decrease (Increase) in receivables	-	(117,506)	-	249,006
Decrease (Increase) in inventories	(2,224,496)	(9,462)	-	-
Decrease (Increase) in prepaid items	(8,550)	-	-	-
Increase in escrow deposits items	-	-	-	(10,000)
Increase (Decrease) in accounts payable	347,831	(323,456)	484,531	801,249
Increase (Decrease) in compensated absences	35,539	10,128	-	14,184
Increase in interfund payables	1,829,589	-	-	-
Increase in net pension balances	(71,705)	(84,390)	-	(31,025)
Increase in other post-employment benefit balances	49,986	57,505	-	17,860
Total adjustments	(20,953)	(237,087)	484,531	1,041,274
Net cash provided (used) by operating activities	$ (47,295)	$ (141,155)	$ 469,066	$ 750,366
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Increase (Decrease) in fair value of investments	-	(5,399)	(22,714)	(5,285)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVIII**
COMBINING STATEMENT OF CASH FLOWS (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Technology Services Fund	Engineering Services Fund	Customer Service Fund	Facilities Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 17,704,103	$ 7,290,519	$ 5,851,935	$ 5,002,577	$ 94,170,742
Cash paid to employees for services	(7,117,426)	(3,471,842)	(2,996,683)	(1,474,662)	(20,833,850)
Cash paid to suppliers	(9,182,737)	(4,441,615)	(2,538,236)	(3,206,210)	(70,886,187)
Net cash provided (used) by operations	1,403,940	(622,938)	317,016	321,705	2,450,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers out	(50,000)	-	-	(307,000)	(417,378)
Transfers in	300,000	-	-	-	300,000
Net cash provided (used) by noncapital financing activities	250,000	-	-	(307,000)	(117,378)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Principal payments on capital debt	(316,651)	-	-	-	(414,137)
Interest and fiscal charges	(19,449)	-	(2,691)	-	(32,807)
Proceeds from issuance of debt	-	-	1,302,692	-	4,204,191
Proceeds from capital contributions and transfers in	-	6,074	-	-	6,074
Acquisition and construction of capital assets	(862,227)	-	(50,197)	(17,871)	(987,778)
Net cash provided (used) by capital financing activities	(1,198,327)	6,074	1,249,804	(17,871)	2,775,543
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale and maturities of investment securities	4,702,688	2,189,171	243,156	552,973	13,075,456
Purchase of investment securities	(4,721,558)	(1,760,212)	(1,159,893)	(539,758)	(15,529,710)
Interest received on investments	14,356	3,151	3,180	3,226	44,275
Net cash provided (used) by investing activities	(4,514)	432,110	(913,557)	16,441	(2,409,979)
Net increase (decrease) in cash and cash equivalents	451,099	(184,754)	653,263	13,275	2,698,891
Cash and cash equivalents at beginning of year	2,408,227	600,125	180,732	122,726	7,354,599
Cash and cash equivalents at end of year	2,859,326	415,371	833,995	136,001	10,053,490
Investments, at fair value	4,172,696	606,165	1,209,633	198,472	13,129,815
Cash, cash equivalents and investments, at fair value	$ 7,032,022	$ 1,021,536	$ 2,043,628	$ 334,473	$ 23,183,305
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (1,585,210)	$ (38,146)	$ 305,567	$ 199,040	$ (1,355,532)
Adjustments:					
Depreciation expense	3,518,982	11,463	10,180	124,836	3,916,408
Decrease (Increase) in receivables	-	(74,590)	(7,691)	-	49,219
Decrease (Increase) in inventories	-	-	-	-	(2,233,958)
Decrease (Increase) in prepaid items	(16,480)	-	-	-	(25,030)
Increase in escrow deposits items	-	-	-	-	(10,000)
Increase (Decrease) in accounts payable	(428,097)	(458,465)	(27,954)	7,350	402,989
Increase (Decrease) in compensated absences	(367,340)	30,417	46,523	7,057	(223,492)
Increase in interfund payables	-	-	-	-	1,829,589
Increase in net pension balances	162,568	(206,162)	(93,132)	(48,053)	(371,899)
Increase in other post-employment benefit balances	119,517	112,545	83,523	31,475	472,411
Total adjustments	2,989,150	(584,792)	11,449	122,665	3,806,237
Net cash provided (used) by operating activities	$ 1,403,940	$ (622,938)	$ 317,016	$ 321,705	$ 2,450,705
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Increase (Decrease) in fair value of investments	(30,524)	(8,353)	(666)	(1,580)	(74,521)

(concluded)


CITY
OF
DENTON

STATISTICAL SECTION

This part of the City of Denton's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (Tables 1 – 4)

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax. These tables do not include the Electric fund information due to confidentiality of information necessary for competitive rates. (Tables 5 – 8)

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current level of outstanding debt and the city's ability to issue additional debt in the future. (Tables 9 – 12)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. (Tables 13 – 14)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs. (Tables 15 – 17)

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2012	2013	2014	2015	2016
Governmental activities					
Net investment in capital assets	$ 101,784,929	$ 116,146,838	$ 128,915,116	$ 141,914,877	$ 145,309,987
Restricted	3,460,027	4,116,256	12,233,226	13,215,421	13,736,624
Unrestricted	35,005,109	35,136,072	28,096,148	(8,775,520)	(3,620,580)
Total governmental activities net position	140,250,065	155,399,166	169,244,490	146,354,778	155,426,031
Business-type activities					
Net investment in capital assets	315,479,026	347,780,207	383,678,313	421,894,337	460,330,063
Restricted	28,559,731	28,654,879	28,056,605	25,356,458	8,892,547
Unrestricted	169,653,341	158,145,443	139,515,508	122,542,446	151,234,604
Total business-type activities net position	513,692,098	534,580,529	551,250,426	569,793,241	620,457,214
Primary government					
Net investment in capital assets	417,263,955	463,927,045	512,593,429	563,809,214	605,640,050
Restricted	32,019,758	32,771,135	40,289,831	38,571,879	22,629,171
Unrestricted	204,658,450	193,281,515	167,611,656	113,766,926	147,614,024
Total primary government net position	$ 653,942,163	$ 689,979,695	$ 720,494,916	$ 716,148,019	$ 775,883,245

(continued on the following page)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT (concluded)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2017	2018	2019	2020	2021
Governmental activities					
Net investment in capital assets	$ 165,408,284	$ 194,210,730	$ 242,957,674	$ 288,548,831	$ 324,398,859
Restricted	14,530,908	21,654,948	30,348,748	29,974,236	31,847,883
Unrestricted	(6,509,698)	(19,332,607)	(39,525,390)	(36,726,698)	(27,553,444)
Total governmental activities net position	173,429,494	196,533,071	233,781,032	281,796,369	328,693,298
Business-type activities					
Net investment in capital assets	502,801,204	540,697,505	589,492,414	661,996,500	716,242,869
Restricted	11,516,207	20,209,408	32,678,917	38,024,525	47,267,201
Unrestricted	145,191,889	177,836,401	173,355,308	162,312,209	183,575,000
Total business-type activities net position	659,509,300	738,743,314	795,526,639	862,333,234	947,085,070
Primary government					
Net investment in capital assets	668,209,488	734,908,235	832,450,088	950,545,331	1,040,641,728
Restricted	26,047,115	41,864,356	63,027,665	67,998,761	79,115,084
Unrestricted	138,682,191	158,503,794	133,829,918	125,585,511	156,021,556
Total primary government net position	$ 832,938,794	$ 935,276,385	$ 1,029,307,671	$ 1,144,129,603	$ 1,275,778,368

(concluded)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2012	2013	2014	2015	2016
EXPENSES					
Governmental activities:					
General government	$29,421,275	$27,686,735	$30,476,840	$31,260,126	$33,847,052
Public safety	52,496,010	52,906,985	56,893,859	58,132,146	63,118,516
Public works	18,662,029	18,663,884	16,950,280	20,331,934	24,557,482
Parks and recreation	12,968,426	13,714,245	14,543,461	14,982,742	16,043,697
Interest expense	4,755,938	4,464,309	4,339,154	4,384,973	4,664,608
Total governmental activities expenses	118,303,678	117,436,158	123,203,594	129,091,921	142,231,355
Business-type activities:					
Electric system	122,428,808	146,246,880	157,906,294	158,106,661	145,963,753
Water system	26,822,690	26,814,020	24,023,392	25,870,489	26,000,734
Wastewater system	20,890,614	21,467,088	22,176,191	24,307,305	23,921,154
Solid waste	21,695,322	21,730,796	23,844,055	26,766,890	29,435,101
Airport	1,472,155	1,608,989	2,435,446	2,100,281	2,536,460
Total business-type activities expenses	193,309,589	217,867,773	230,385,378	237,151,626	227,857,202
Total primary government expenses	311,613,267	335,303,931	353,588,972	366,243,547	370,088,557
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	3,873,349	4,105,648	4,645,655	5,364,405	6,015,305
Public safety	7,069,770	7,767,083	7,064,927	7,276,024	9,827,784
Public works	1,086,269	1,159,605	885,010	707,604	729,528
Parks and recreation	3,951,433	4,059,383	5,833,238	4,926,465	5,268,637
Operating grants and contributions	2,598,157	3,118,105	4,788,149	3,380,119	2,855,501
Capital grants and contributions	4,292,468	14,671,571	11,127,695	10,443,220	5,885,033
Total governmental activities program revenues	22,871,446	34,881,395	34,344,674	32,097,837	30,581,788
Business-type activities:					
Charges for services:					
Electric system	132,352,950	136,655,892	150,362,507	167,696,288	166,290,498
Water system	36,265,061	37,586,306	34,865,803	37,572,331	38,181,034
Wastewater system	24,570,095	26,588,179	28,629,754	30,790,885	31,900,885
Solid waste	22,944,272	24,468,976	25,980,914	29,091,216	31,236,506
Airport	1,909,619	1,880,812	1,925,825	1,277,402	1,183,661
Capital grants and contributions	4,317,463	9,877,185	5,656,622	8,593,699	7,705,101
Total business-type activities program revenues	222,359,460	237,057,350	247,421,425	275,021,821	276,497,685
Total primary government program revenues	245,230,906	271,938,745	281,766,099	307,119,658	307,079,473
NET (EXPENSE)/REVENUE					
Governmental activities	(95,432,232)	(82,554,763)	(88,858,920)	(96,994,084)	(111,649,567)
Business-type activities	29,049,871	19,189,577	17,036,047	37,870,195	48,640,483
Total primary government program net expense	$ (66,382,361)	$ (63,365,186)	$ (71,822,873)	$ (59,123,889)	$ (63,009,084)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2017	2018	2019	2020	2021
EXPENSES					
Governmental activities:					
General government	$40,761,972	$37,968,945	$39,051,942	$37,921,928	$37,401,990
Public safety	68,546,557	71,945,219	77,883,435	82,119,480	82,678,373
Public works	24,994,628	25,683,779	24,502,864	26,049,847	24,800,411
Parks and recreation	16,792,417	17,422,273	17,710,634	15,759,371	19,295,206
Interest expense	4,970,968	5,379,149	6,750,917	6,757,736	7,380,293
Total governmental activities expenses	156,066,542	158,399,365	165,899,792	168,608,362	$171,556,273
Business-type activities:					
Electric system	174,900,860	168,110,899	236,131,640	195,306,979	307,772,345
Water system	28,202,500	27,481,058	29,689,758	32,013,603	28,428,703
Wastewater system	26,730,157	26,284,049	28,317,484	31,018,019	32,247,857
Solid waste	34,532,856	29,028,299	30,541,859	32,370,675	32,734,938
Airport	1,930,767	1,802,703	2,017,380	1,706,646	1,674,412
Total business-type activities expenses	266,297,140	252,707,008	326,698,121	292,415,922	402,858,255
Total primary government expenses	422,363,682	411,106,373	492,597,913	461,024,284	574,414,528
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	5,266,777	6,489,438	6,460,483	8,007,187	8,038,235
Public safety	8,773,221	8,221,314	7,233,973	5,234,958	5,788,122
Public works	879,453	649,293	712,953	1,177,961	775,279
Parks and recreation	4,414,379	4,852,322	5,868,619	3,022,162	4,150,336
Operating grants and contributions	4,667,791	3,697,696	4,092,532	8,991,320	8,607,304
Capital grants and contributions	17,180,091	33,991,306	28,085,591	34,911,879	23,945,640
Total governmental activities program revenues	41,181,712	57,901,369	52,454,151	61,345,467	51,304,916
Business-type activities:					
Charges for services:					
Electric system	172,027,080	198,748,366	242,437,211	217,111,983	342,640,914
Water system	41,332,006	48,912,059	45,886,900	47,125,123	50,670,242
Wastewater system	33,360,603	35,594,624	35,042,110	36,146,835	38,393,521
Solid waste	33,847,593	33,590,463	34,670,519	36,142,207	37,635,030
Airport	1,495,619	1,625,672	1,397,581	1,286,479	1,586,333
Capital grants and contributions	20,347,889	20,519,510	16,039,076	16,374,066	18,282,891
Total business-type activities program revenues	302,410,790	338,990,694	375,473,397	354,186,693	489,208,931
Total primary government program revenues	343,592,502	396,892,063	427,927,548	415,532,160	540,513,847
NET (EXPENSE)/REVENUE					
Governmental activities	(114,884,830)	(100,497,996)	(113,445,641)	(107,262,895)	(120,251,357)
Business-type activities	36,113,650	86,283,686	48,775,276	61,770,771	86,350,676
Total primary government program net expense	$ (78,771,180)	$ (14,214,310)	$ (64,670,365)	$ (45,492,124)	$ (33,900,681)

(continued on the following page)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2012	2013	2014	2015	2016
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Property tax	$45,174,160	$47,275,552	$48,833,077	$54,174,965	$58,788,255
Sales tax[1]	25,886,940	26,522,473	27,764,114	30,601,965	32,624,297
Franchise tax	19,336,701	19,901,459	21,001,427	21,996,031	22,659,014
Hotel occupancy tax	1,555,347	1,910,125	1,982,643	2,156,294	2,243,264
Beverage tax	345,032	392,192	419,498	573,758	597,284
Bingo tax	20,889	20,774	20,684	20,380	18,910
Investment income	581,849	354,089	563,236	759,334	1,019,594
Gain on sale of capital assets	-	-	-	707,966	498,265
Miscellaneous	1,390,398	1,428,907	1,980,545	1,220,060	1,087,504
Transfers	887,287	(101,707)	876,525	1,140,938	1,184,433
Total governmental activities	95,178,603	97,703,864	103,441,749	113,351,691	120,720,820
Business-type activities:					
Investment income	1,638,830	1,085,856	1,355,730	1,692,971	2,010,008
Gain on sale of capital assets	-	-	-	42,455	1,197,915
Miscellaneous	(690,967)	511,291	521,013	-	-
Transfers	(887,287)	101,707	(876,525)	(1,140,938)	(1,184,433)
Total business-type activities	60,576	1,698,854	1,000,218	594,488	2,023,490
Total primary government	95,239,179	99,402,718	104,441,967	113,946,179	122,744,310
CHANGE IN NET POSITION					
Governmental activities	(253,629)	15,149,101	14,582,829	16,357,607	9,071,253
Business-type activities	29,110,447	20,888,431	18,036,265	38,464,683	50,663,973
Total primary government	$ 28,856,818	$ 36,037,532	$ 32,619,094	$ 54,822,290	$ 59,735,226

(continued on the following page)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2017	2018	2019	2020	2021
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION (concluded)					
Governmental activities:					
Taxes:					
Property tax	$64,348,754	$67,185,610	$71,351,314	$75,431,860	$78,243,553
Sales tax[1]	36,841,137	38,270,026	38,330,825	39,337,834	45,404,857
Franchise tax	24,211,081	26,007,002	26,160,639	29,503,569	32,047,074
Hotel occupancy tax	2,374,221	2,733,720	3,039,747	2,142,483	3,074,942
Beverage tax	617,662	632,217	661,823	440,766	511,326
Bingo tax	13,633	11,244	11,445	13,527	14,681
Investment income	1,330,008	1,937,579	6,093,100	2,999,094	326,158
Gain on sale of capital assets	192,583	188,958	95,760	103,796	(16,435)
Miscellaneous	2,042,274	4,700,466	3,930,285	4,008,679	5,566,698
Transfers	916,940	(1,104,290)	1,018,664	1,296,624	1,975,432
Total governmental activities	132,888,293	140,562,532	150,693,602	155,278,232	$167,148,286
Business-type activities:					
Investment income	3,471,635	4,083,560	9,026,713	6,099,964	264,722
Gain on sale of capital assets	383,741	240,740	-	232,484	111,870
Miscellaneous	-	-	-	-	
Transfers	(916,940)	1,104,290	(1,018,664)	(1,296,624)	(1,975,432)
Total business-type activities	2,938,436	5,428,590	8,008,049	5,035,824	(1,598,840)
Total primary government	135,826,729	145,991,122	158,701,651	160,314,056	165,549,446
CHANGE IN NET POSITION					
Governmental activities	18,003,463	40,064,536	37,247,961	48,015,337	46,896,929
Business-type activities	39,052,086	91,712,276	56,783,325	66,806,595	84,751,836
Total primary government	$ 57,055,549	$ 131,776,812	$ 94,031,286	$ 114,821,932	$ 131,648,765

(concluded)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2012	2013	2014	2015	2016
General fund					
Nonspendable	$ -	$ -	$ -	$ -	$ -
Assigned to use of reserves	664,894	1,377,039	661,545	-	99,365
Unassigned	25,171,186	24,378,139	25,176,737	27,365,168	28,070,483
Total general fund	25,836,080	25,755,178	25,838,282	27,365,168	28,169,848
All other governmental funds					
Restricted for:					
Debt Service	3,824,438	4,572,807	4,726,841	4,791,880	4,893,032
Parks and recreation	10,496,887	9,220,953	11,584,890	14,288,659	13,553,834
Streets and drainage projects	22,004,377	23,759,574	25,790,648	42,537,941	46,511,509
Other capital projects	8,444,073	12,231,061	11,925,978	10,603,695	13,512,733
Other grants and purposes	1,789,241	2,223,626	2,465,093	3,218,466	3,319,230
Committed to:					
Streets	991,942	1,330,184	916,613	1,388,223	1,798,624
Parks and recreation	570,534	590,062	573,429	513,484	498,150
Other purposes	1,468,837	1,801,661	3,560,159	4,430,392	5,500,983
Assigned to:					
Streets and drainage projects	-	144,485	423,152	2,214,613	3,430,681
Other capital projects	3,003,344	2,599,101	2,868,390	1,666,029	3,728,955
Other purposes	49,026	56,900	34,847	49,630	74,558
Unassigned	(91,145)	(8,901)	(144,084)	(73,857)	(242,338)
Total all other governmental funds	$ 52,551,554	$ 58,521,513	$ 64,725,956	$ 85,629,155	$ 96,579,951

(continued on the following page)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2017	2018	2019	2020	2021
General fund					
Nonspendable	$ -	$ -	$ -	$ 5,184	$ -
Assigned to use of reserves	-	1,398,704	160,606	-	-
Unreserved, undesignated, unassigned	31,770,773	28,918,681	30,578,238	33,777,027	38,499,992
Total general fund	31,770,773	30,317,385	30,738,844	33,782,211	38,499,992
All other governmental funds					
Restricted for:					
Debt Service	5,409,144	5,529,483	5,453,180	5,325,062	4,680,742
Parks and recreation	10,599,568	9,153,654	12,723,077	17,586,279	15,765,777
Streets and drainage projects	51,149,305	82,702,916	75,897,954	75,037,095	58,709,209
Other capital projects	18,544,086	21,984,608	20,271,843	30,142,806	69,314,699
Other grants and purposes	4,104,036	7,158,843	7,171,142	5,704,555	4,771,982
Committed to:					
Streets	1,158,667	4,495,971	5,965,815	9,340,552	12,817,321
Parks and recreation	439,825	520,852	549,415	555,629	418,155
Other purposes	6,889,093	3,150,491	3,779,944	3,361,851	4,902,548
Assigned to:					
Streets and drainage projects	7,897,077	10,591,478	10,867,803	4,231,795	8,402,327
Other capital projects	6,945,492	7,440,133	8,907,816	7,459,112	10,610,950
Other purposes	59	59	61	181	271
Unassigned	(2,942,377)	(943,930)	(782,684)	(987,611)	(809,536)
Total all other governmental funds	$ 110,193,975	$ 151,784,558	$ 150,805,366	$ 157,757,306	$ 189,584,445

(concluded)

Source: Annual Comprehensive Financial Reports

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2012	2013	2014	2015	2016
REVENUES:					
Taxes:					
Property tax	$ 45,116,485	$ 47,330,522	$ 48,872,016	$ 54,230,541	$ 58,802,856
Sales tax	25,886,940	26,522,473	27,764,114	30,601,965	32,624,297
Hotel occupancy tax	1,555,347	1,910,125	1,982,643	2,156,294	2,243,264
Beverage tax	345,032	392,192	419,498	573,758	597,284
Bingo tax	20,889	20,774	20,684	20,380	18,910
Licenses and permits	1,436,215	1,446,580	1,978,421	2,782,395	3,106,162
Franchise fees	19,336,701	19,901,459	21,001,427	21,996,031	22,659,014
Fines and forfeitures	5,462,133	5,342,966	6,261,579	6,505,175	6,433,158
Fees for services	8,519,763	8,683,278	10,187,195	9,391,260	10,927,305
Investment revenue	581,849	354,089	563,236	759,334	1,019,594
Intergovernmental	6,739,864	9,914,834	10,986,128	10,236,689	5,217,302
Miscellaneous	1,171,618	1,322,762	2,648,160	1,387,127	1,347,258
Total revenues	116,172,836	123,142,054	132,685,101	140,640,949	144,996,404
EXPENDITURES:					
General government	24,359,018	25,047,062	28,188,722	29,277,275	31,024,356
Public safety	48,118,051	51,303,825	53,380,064	55,978,174	59,067,019
Public works	8,608,554	9,425,446	9,979,997	12,439,131	11,604,966
Parks and recreation	11,315,951	12,274,908	12,808,701	13,277,516	13,987,694
Capital outlay	10,983,987	20,038,064	20,660,461	23,712,400	25,966,695
Debt service:					
Principal retirement	9,770,660	10,017,719	10,703,071	11,918,983	13,390,576
Advance refunding escrow	130,111	110,145	-	120,519	147,687
Bond issuance costs	163,811	181,308	86,800	181,409	154,948
Interest and other charges	4,758,305	4,552,348	4,741,257	4,647,528	5,246,925
Total expenditures	118,208,448	132,950,825	140,549,073	151,552,935	160,590,866
Excess (deficiency) of revenues over (under) expenditures	(2,035,612)	(9,808,771)	(7,863,972)	(10,911,986)	(15,594,462)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	10,173,303	6,182,405	3,130,000	14,290,000	12,045,000
Payment to refunded bond escrow agent	(11,432,581)	(6,547,180)	(3,194,293)	(15,604,758)	(14,075,445)
Issuance of long-term debt	8,020,000	14,765,000	12,635,000	29,240,000	22,780,000
Premium on debt issuance	2,016,193	1,232,674	635,037	3,214,914	4,317,817
Insurance recoveries	19,961	-	-	-	30,624
Proceeds of capital lease	-	-	-	-	150,155
Sale of capital assets	153,127	148,417	85,059	715,685	530,054
Transfers in	4,741,735	2,980,448	3,596,433	4,557,824	8,164,575
Transfers (out)	(4,192,497)	(3,063,936)	(2,735,717)	(3,071,594)	(6,592,842)
Total other financing sources (uses)	9,499,241	15,697,828	14,151,519	33,342,071	27,349,938
NET CHANGE IN FUND BALANCES	$ 7,463,629	$ 5,889,057	$ 6,287,547	$ 22,430,085	$ 11,755,476
Debt service as a percentage of noncapital expenditures	13.6%	12.9%	12.9%	13.0%	13.8%

Source: Annual Comprehensive Financial Reports

(continued on the following page)

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2017	2018	2019	2020	2021
REVENUES:					
Taxes:					
Property tax	$ 64,317,641	$ 67,055,807	$ 71,393,395	$ 75,413,501	$ 78,109,665
Sales tax[1]	36,841,137	38,270,026	38,330,825	39,337,834	45,404,857
Hotel occupancy tax	2,374,221	2,733,720	3,039,748	2,142,483	3,074,942
Beverage tax	617,662	632,217	661,823	440,766	511,326
Bingo tax	13,633	11,244	11,445	13,527	14,681
Licenses and permits	3,016,697	3,739,691	3,889,820	5,225,128	5,939,320
Franchise fees	24,211,081	26,007,002	26,160,639	29,503,569	32,047,074
Fines and forfeitures	6,039,401	5,539,793	5,147,203	2,621,002	1,590,416
Fees for services	10,395,166	10,536,817	11,583,743	10,328,261	12,072,118
Investment revenue	1,330,008	1,937,579	6,093,100	2,999,094	326,158
Intergovernmental	9,647,977	30,518,141	22,477,192	31,907,490	23,014,733
Miscellaneous	2,382,708	5,053,082	5,043,652	4,049,419	5,756,438
Total revenues	161,187,332	192,035,119	193,832,585	203,982,074	207,861,728
EXPENDITURES:					
General government	31,330,757	32,800,175	35,528,063	33,242,486	34,002,983
Public safety	61,156,694	66,355,282	71,257,658	77,408,797	81,849,916
Public works	15,871,804	14,710,211	14,579,218	14,018,054	13,675,700
Parks and recreation	14,140,518	14,671,894	15,221,092	13,118,332	16,756,062
Capital outlay	38,191,803	54,829,949	64,835,885	86,392,357	80,873,532
Debt service:					
Principal retirement	14,351,487	15,429,697	16,904,637	17,929,324	19,768,191
Advance refunding escrow	103,950	-	-	-	-
Bond issuance costs	171,252	284,181	142,226	180,870	277,307
Interest and other charges	5,819,949	6,561,442	8,146,969	8,368,163	8,973,021
Total expenditures	181,138,214	205,642,831	226,615,748	250,658,383	256,176,712
Excess (deficiency) of revenues over (under) expenditures	(19,950,882)	(13,607,712)	(32,783,163)	(46,676,309)	(48,314,984)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	10,850,000	-	-	2,490,000	1,415,000
Payment to refunded bond escrow agent	(11,358,665)	-	-	(2,973,354)	(1,691,409)
Issuance of long-term debt	33,405,000	56,960,000	25,870,000	49,205,000	75,600,000
Premium on debt issuance	3,077,360	3,206,728	2,006,343	6,250,067	7,098,821
Insurance recoveries	86,992	18,135	88,954	-	
Proceeds of capital lease	-	-	-	-	
Sale of capital assets	236,068	226,025	17,033	148,586	326,682
Transfers in	10,856,904	15,083,695	14,477,744	13,868,308	16,349,953
Transfers (out)	(9,987,828)	(21,749,676)	(10,234,644)	(12,316,991)	(14,257,143)
Total other financing sources (uses)	37,165,831	53,744,907	32,225,430	56,671,616	84,841,904
NET CHANGE IN FUND BALANCES	$ 17,214,949	$ 40,137,195	$ (557,733)	$ 9,995,307	$ 36,526,920
Debt service as a percentage of noncapital expenditures	14.1%	14.6%	15.5%	16.0%	16.4%

Source: Annual Comprehensive Financial Reports **(concluded)**

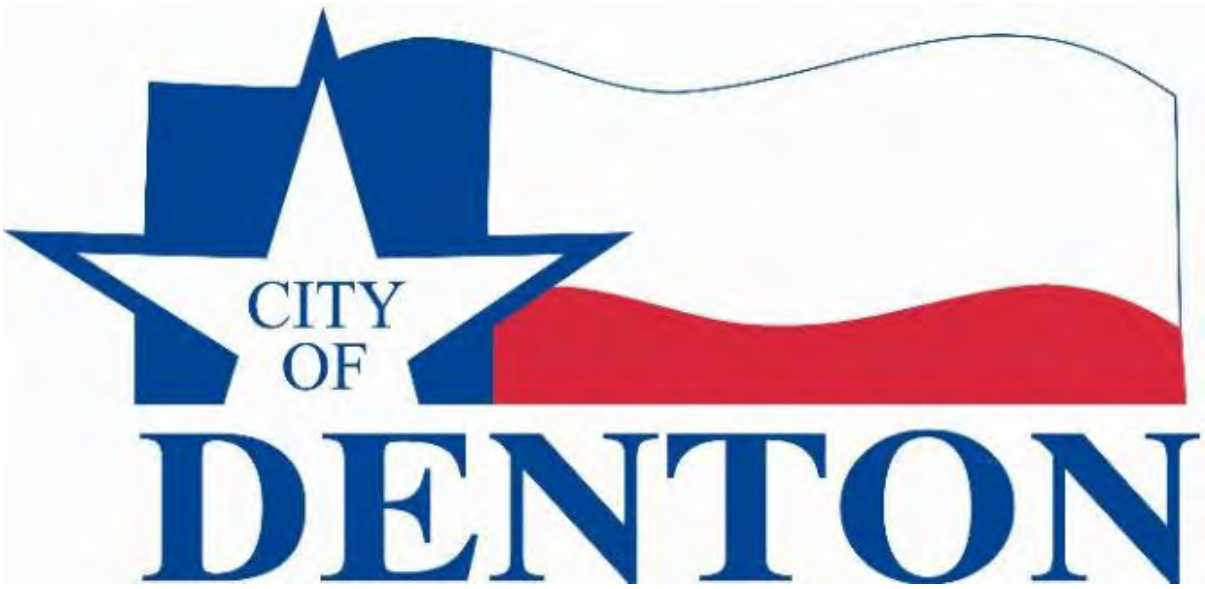
CITY OF DENTON, TEXAS **Table 5**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Less: Tax-Exempt Property	Less: Frozen Value[1]	Total Taxable Assessed Value[2]	Total Direct Tax Rate
2012	6,903,311,493	933,580,101	1,424,516,590	-	6,412,375,004	0.68975
2013	7,083,330,127	1,125,646,116	1,492,264,875	-	6,716,711,368	0.68975
2014	7,427,124,969	1,161,189,421	1,609,090,116	-	6,979,224,274	0.68975
2015	8,285,049,321	1,329,999,883	1,817,871,596	-	7,797,177,608	0.68975
2016	8,989,650,946	1,332,290,743	1,858,794,929	-	8,463,146,760	0.68975
2017	9,784,179,133	1,429,040,012	2,040,968,652	-	9,172,250,493	0.68334
2018	11,218,394,767	1,497,275,644	2,298,809,194	-	10,416,861,217	0.63786
2019	12,399,345,379	1,376,428,125	2,348,204,604	112,974,494	11,314,594,406	0.62048
2020	13,680,931,478	1,807,156,540	2,698,699,972	177,067,782	12,612,320,264	0.59045
2021	15,921,269,742	1,713,104,985	2,568,272,586	178,765,089	14,887,337,052	0.59045

Source: Denton Central Appraisal District

[1]**Fiscal year 2019 marks the first year of the Over 65/Disabled tax limitation (freeze).**

[2]**Total Taxable Assessed Value from 2013-2021 include the Downtown and West Park TIRZ's.**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CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	City of Denton			Overlapping Rates		
					School Districts	
Fiscal Year	Operating Rate	Debt Service Rate	Total Direct Rate	Denton County	Denton Independent School District	Argyle Independent School District
2012	0.47088	0.21887	0.68975	0.277357	1.53000	1.460050
2013	0.47088	0.21887	0.68975	0.282867	1.53000	1.480050
2014	0.47480	0.21495	0.68975	0.284914	1.53000	1.475000
2015	0.48119	0.20856	0.68975	0.272200	1.54000	1.570050
2016	0.47456	0.21519	0.68975	0.262000	1.54000	1.570050
2017	0.46674	0.21660	0.68334	0.248409	1.54000	1.570050
2018	0.43031	0.20755	0.63786	0.237812	1.54000	1.585050
2019	0.40543	0.21505	0.62048	0.225574	1.54000	1.585050
2020	0.38536	0.20509	0.59045	0.225278	1.47000	1.508000
2021	0.38536	0.20509	0.59045	0.224985	1.40760	1.418700

(continued on the following page)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.

CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE) (concluded)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	Overlapping Rates					
	School Districts					
Fiscal Year	Aubrey Independent School District	Krum Independent School District	Pilot Point Independent School District	Ponder Independent School District	Sanger Independent School District	Total Direct & Overlapping Rates (Range)
2012	1.540000	1.540000	1.370000	1.344610	1.372067	2.311717 - 2.507107
2013	1.540000	1.520000	1.370000	1.353292	1.372067	2.325909 - 2.512617
2014	1.510000	1.540000	1.370000	1.385000	1.372070	2.344664 - 2.514664
2015	1.510000	1.540000	1.370000	1.380800	1.372067	2.331950 - 2.532000
2016	1.510000	1.540000	1.370000	1.387500	1.372067	2.321750 - 2.521800
2017	1.510000	1.540000	1.370000	1.467840	1.372067	2.301749 - 2.501799
2018	1.510000	1.540000	1.370000	1.467790	1.372067	2.245668 - 2.460718
2019	1.590000	1.540000	1.370000	1.467790	1.372067	2.216051 - 2.436051
2020	1.568350	1.391830	1.268350	1.467780	1.308350	2.084082 - 2.384082
2021	1.508700	1.345082	1.218600	1.464180	1.197643	2.013078 - 2.324135

(concluded)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.

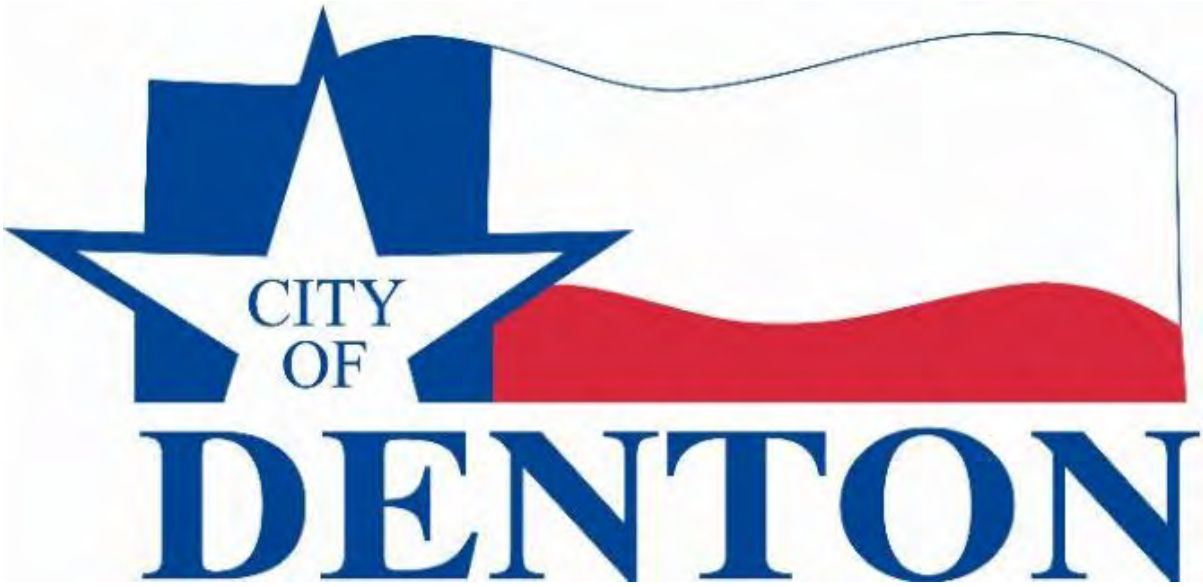
CITY OF DENTON, TEXAS **Table 7**
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

2021			2012		
Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[1]	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[2]
Columbia Medical Center of Denton (Medical City Denton)	$86,272,317	0.64%	Columbia Medical Center of Denton (Medical City Denton)	$78,054,260	1.22%
Rayzor Ranch Marketplace Associates	64,663,924	0.48%	PACCAR Inc. (Peterbilt)	60,418,474	0.94%
PACCAR Inc. (Peterbilt)	63,988,783	0.47%	Inland Western Crossing (Denton Crossing Shopping Center)	45,388,894	0.71%
Inland Western Denton Crossing LTD	63,966,110	0.47%	Cypress Denton Station, LTD	38,803,389	0.61%
Target Corporation	62,750,000	0.46%	Verizon Southwest (Telephone Company)	33,292,790	0.52%
Winco Foods LLD	60,500,000	0.45%	GEL Timberlinks (The Timbers at Denton)	24,197,165	0.38%
AC Denton LLC	56,000,000	0.41%	Devon Energy Production Co, LLP (Oil and Gas Production)	23,423,280	0.37%
RR Town Center Associates	55,275,281	0.41%	SCI Gateway at Denton Fund 25 LLC (Gateway at Denton Apartments)	20,403,802	0.32%
Trdwind Timberlinks Borrower LLC	53,121,317	0.39%	CNL Retirement CRS1 (Retirement Center)	20,283,600	0.32%
Total	$ 566,537,732	4.18%	Total	$ 344,265,654	5.39%

Source: Denton Central Appraisal District

[1]**Total taxable assessed value for tax year 2020 (fiscal year 2021) is $13,566,918,891**

[2]**Total taxable assessed value for tax year 2011 (fiscal year 2012) is $6,412,375,004**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CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	
2012	44,856,277	20,423	44,876,700	44,461,501	99.07%	350,401
2013	46,965,495	35,838	47,001,333	46,638,975	99.23%	293,509
2014	48,398,900	74,600	48,473,500	48,083,910	99.20%	315,108
2015	53,829,793	(71,913)	53,757,880	53,503,029	99.53%	152,385
2016	58,634,172	5,318	58,639,490	58,280,013	99.39%	241,690
2017	64,030,255	(46,531)	63,983,723	63,702,954	99.56%	169,161
2018	66,830,333	(41,570)	66,788,763	66,493,774	99.56%	132,027
2019	70,914,567	(128,423)	70,786,144	70,345,941	99.38%	240,957
2020	75,040,101	-	75,040,101	74,711,122	99.56%	-
2021	77,955,896	-	77,955,896	77,539,353	99.47%	-

(continued on the following page)

Source: Denton Central Appraisal District

CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS (concluded)
LAST TEN FISCAL YEARS

Fiscal Year	Total Collections to Date	
	Amount	Percentage of Levy
2012	44,811,902	99.86%
2013	46,932,484	99.85%
2014	48,399,018	99.85%
2015	53,655,414	99.81%
2016	58,521,703	99.80%
2017	63,872,115	99.83%
2018	66,625,801	99.76%
2019	70,586,898	99.72%
2020	74,711,122	99.56%
2021	77,539,353	99.47%
		(concluded)

Source: Denton Central Appraisal District

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				Business-Type Activities		
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation
2012	80,013,439	33,910,342	3,272,887	1,891,895	156,855,000	59,301,561	181,314,658
2013	80,719,761	37,514,485	3,737,386	983,249	144,225,000	55,970,239	222,955,515
2014	78,316,161	41,570,000	3,593,057	1,102,864	112,170,000	79,188,839	290,640,000
2015	95,019,058	41,590,000	6,039,823	2,079,227	63,340,000	108,585,942	359,375,000
2016	109,861,174	34,565,000	9,250,779	1,373,230	-	141,063,826	416,465,000
2017	118,267,663	49,285,000	10,994,176	498,062	214,890,000	127,677,337	467,620,000
2018	127,647,935	81,200,000	12,515,724	4,171	214,890,000	111,347,065	447,050,000
2019	135,507,957	83,560,000	12,749,386	-	214,890,000	118,682,043	414,890,000
2020	150,187,533	99,295,000	17,024,883	-	207,310,000	121,872,467	396,900,000
2021	193,376,855	115,145,000	22,123,885	-	341,330,000	110,803,145	437,255,000

(continued on the following page)

Source: Annual Comprehensive Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE (concluded)
LAST TEN FISCAL YEARS

Fiscal Year	Business-Type Activities		Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
	Premiums, Discounts	Other Obligations			
2012	17,869,148	713,408	535,142,338	0.02127%	4,578.25
2013	18,645,703	363,487	565,114,825	0.02030%	4,789.84
2014	23,263,019	-	629,843,940	0.02127%	5,242.28
2015	27,564,104	-	703,593,154	0.02359%	5,723.67
2016	38,514,641	-	751,093,650	0.02494%	5,994.94
2017	69,029,540	-	1,058,261,778	0.03176%	8,230.63
2018	61,504,481	-	1,056,157,358	0.03044%	7,965.29
2019	56,877,139	-	1,037,156,525	0.02752%	7,574.52
2020	57,094,682	-	1,049,684,565	0.02558%	7,446.90
2021	56,775,507	-	1,276,809,392	0.02930%	8,655.45
					(concluded)

Source: Annual Comprehensive Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 13 for personal income and population data.

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Less: Amounts Available in Debt Service Fund	Total	Percentage of Taxable Value of Property[1]	Per Capita[2]
2012	139,315,000	215,225,000	18,283,190	3,460,027	369,363,163	5.76%	3,159.98
2013	136,690,000	260,470,000	20,029,829	4,116,256	413,073,573	6.15%	3,501.16
2014	157,505,000	332,210,000	25,434,647	4,261,848	510,887,799	7.32%	4,252.19
2015	203,605,000	400,965,000	33,414,816	4,260,793	633,724,023	8.13%	5,155.29
2016	250,925,000	451,030,000	47,765,420	4,314,370	745,406,050	8.81%	5,949.54
2017	245,945,000	516,905,000	49,644,634	4,666,797	807,827,837	8.81%	6,282.88
2018	238,995,000	528,250,000	46,011,204	4,773,267	808,482,937	7.76%	6,097.39
2019	254,190,000	498,450,000	43,987,604	4,627,301	792,000,303	7.00%	5,784.11
2020	272,060,000	496,195,000	50,850,724	4,515,678	814,590,046	6.46%	5,779.04
2021	304,180,000	552,400,000	57,917,029	3,416,922	911,080,107	6.12%	6,176.19

Source: Annual Comprehensive Financial Reports

(continued on the following page)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 5 for property value data.

[2]See Table 13 for population data.

[3]In 2010, the City began issuing Certificates of Obligation not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The Certificates of Obligation issued for utility purposes are repaid from the specific utility fund as revenue supported for which the debt was issued.

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING (concluded)
LAST TEN FISCAL YEARS

	Tax Supported General Bonded Debt Outstanding			
Fiscal Year	Less: Revenue Supported Debt[3]	Net Tax Supported Debt	Percentage of Actual Taxable Value of Property	Per Capita[2]
2012	255,626,522	113,736,641	1.77%	973.04
2013	295,218,197	117,855,376	1.75%	998.93
2014	391,670,429	119,217,370	1.71%	992.26
2015	495,335,935	138,388,088	1.77%	1,125.77
2016	596,043,467	149,362,583	1.76%	1,192.15
2017	633,947,795	173,880,042	1.90%	1,352.35
2018	591,892,545	216,590,392	2.08%	1,633.47
2019	564,810,261	227,190,042	2.01%	1,659.21
2020	552,598,308	261,991,738	2.08%	1,858.68
2021	581,564,811	329,515,296	2.21%	2,233.77

(concluded)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 5 for property value data.

[2]See Table 13 for population data.

[3]In 2010, the City began issuing Certificates of Obligation not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The Certificates of Obligation issued for utility purposes are repaid from the specific utility fund as revenue supported for which the debt was issued.

CITY OF DENTON, TEXAS **Table 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2021

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton Independent School District	$ 1,317,483,717	62.06%	$ 817,630,396
Denton County	571,605,000	12.50%	71,450,625
Argyle Independent School District	224,297,265	8.63%	19,356,854
Aubrey Independent School District	92,328,898	0.11%	101,562
Krum Independent School District	33,190,368	8.38%	2,781,353
Lake Dallas Independent School District	146,066,868	1.54%	2,249,430
Pilot Point Independent School District	13,405,000	0.20%	26,810
Ponder Independent School District	12,525,000	1.25%	156,563
Sanger Independent School District	18,049,055	0.35%	63,172
Subtotal, overlapping debt			913,816,765
City of Denton, direct debt		100.00%	330,645,739
Total direct and overlappping debt			$ 1,244,462,504
Ratio of direct and overlapping funded debt to the City's taxable assessed valuation			8.36%
Per capita overlapping funded debt			8,436

Source: data.texas.gov

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Denton. This process recognizes that, when considering the City of Denton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1]The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Denton's boundaries and dividing it by the overlapping government's total taxable assessed value.

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CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Utility System[1] Revenue Bonds					
Fiscal Year	Operating Revenue	Investment Revenue	Less: Fair Market Value Adjustment to Investment Revenue[2]	Impact Fee Revenue	Less: Operating Expenses Before Depreciation	Add: Franchise Fees and Return on Investment Paid to General Fund[3]
2012	189,645,277	1,477,452	110,626	3,542,829	139,801,421	14,414,769
2013	197,126,041	983,424	(227,534)	3,704,336	164,688,198	14,582,800
2014	208,666,178	1,225,879	46,226	5,191,886	175,620,125	15,278,150
2015	229,583,483	1,512,820	156,230	6,476,021	175,131,645	16,356,904
2016	229,086,008	1,772,813	(132,432)	7,286,409	163,392,323	17,027,566
2017	239,310,663	3,150,469	(737,238)	7,409,026	182,455,762	18,215,432
2018	271,387,844	3,599,667	(707,351)	11,867,205	177,438,191	20,089,862
2019	311,420,814	7,852,695	2,174,835	11,945,407	236,743,123	20,527,742
2020	286,680,979	5,338,527	829,978	13,702,962	189,987,335	24,520,095
2021	412,377,440	187,087	(1,341,742)	25,932,237	324,977,625	26,874,761

(continued on the following page)

Source: Annual Comprehensive Financial Reports

[1]**The Utility System includes the Electric, Water, and Wastewater funds.**

[2]**For the coverage calculation, the fair market adjustment to the value of investments is excluded.**

[3]**For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.**

[4]**Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond convenants require a times coverage of 1.00 or greater.**

[5]**Total times coverage provided to assess total bond debt related to the Utility System.**

CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE (concluded)
LAST TEN FISCAL YEARS

		Utility System[1] Revenue Bonds						
		Revenue Bond Debt			Certificate of Obligation & General Obligation Bond Debt			
Fiscal Year	Net Available Revenue	Principal	Interest	Times Coverage[4]	Principal	Interest	Times Coverage	Total Times Coverage[5]
2012	69,168,280	12,630,000	7,028,800	3.52	11,880,000	7,477,233	3.57	1.77
2013	51,935,937	13,260,000	6,437,088	2.64	9,940,000	9,115,348	2.73	1.34
2014	54,695,742	11,570,000	4,902,319	3.32	11,860,000	10,306,245	2.47	1.42
2015	78,641,353	10,210,000	2,551,456	6.16	15,535,000	14,115,713	2.65	1.85
2016	91,912,905	10,210,000	2,551,456	7.20	18,800,000	18,258,583	2.48	1.84
2017	86,367,066	-	3,680,389	23.47	25,495,000	21,419,293	1.84	1.71
2018	130,213,738	-	10,685,000	12.19	31,035,000	22,962,237	2.41	2.01
2019	112,828,700	-	10,685,000	10.56	34,805,000	21,067,832	2.02	1.70
2020	139,425,250	7,580,000	10,495,500	7.71	36,710,000	19,938,154	2.46	1.87
2021	141,735,642	7,970,000	10,106,250	7.84	40,514,322	20,122,511	2.34	1.80

(concluded)

Source: Annual Comprehensive Financial Reports

[1]**The Utility System includes the Electric, Water, and Wastewater funds.**

[2]**For the coverage calculation, the fair market adjustment to the value of investments is excluded.**

[3]**For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.**

[4]**Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond convenants require a times coverage of 1.00 or greater.**

[5]**Total times coverage provided to assess total bond debt related to the Utility System.**

CITY OF DENTON, TEXAS **Table 13**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population[1]	Personal Income	Per Capita Income[2]	Median Age[2]	Grade School Enrollment[3]	University Enrollment[4]	Unemployment Rate[5]
2012	116,888	2,515,546,648	21,521	27.0	25,791	48,227	5.5%
2013	117,982	2,783,431,344	23,592	26.9	26,339	48,584	5.2%
2014	120,147	2,960,782,521	24,643	27.5	27,105	48,497	4.2%
2015	122,927	2,982,209,020	24,260	27.9	27,473	49,665	3.4%
2016	125,288	3,011,547,656	24,037	28.4	28,658	50,809	3.5%
2017	128,576	3,332,047,040	25,915	28.5	29,433	50,911	3.1%
2018	132,595	3,469,348,175	26,165	29.1	30,219	51,100	3.1%
2019	136,927	3,768,094,113	27,519	29.9	30,973	52,368	2.8%
2020	140,956	4,103,088,204	29,109	29.1	30,319	48,064	6.5%
2021	147,515	4,357,298,070	29,538	29.5	32,068	51,193	5.6%

Sources:

[1]City of Denton Planning and Development Department estimate. Prior population figures have been adjusted to reflect the 2010 census data.

[2]United States Census and Denton Chamber of Commerce

[3]Denton Independent School District

[4]University of North Texas' and Texas Woman's University's Denton campus enrollment

[5]Texas Workforce Commission estimate

CITY OF DENTON, TEXAS **Table 14**
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

2021			2012		
Name of Employer	**Employees**	**Percentage of Total City Employment**	**Name of Employer**	**Employees**	**Percentage of Total City Employment**
University of North Texas	8,891	12.28%	University of North Texas	8,887	14.41%
Denton Independent School District	4,431	6.12%	Denton Independent School District	3,300	5.35%
Peterbilt Motors-Headquarters & Plant	2,000	2.76%	Peterbilt Motors-Headquarters & Plant	2,100	3.40%
Denton County (in Denton)	1,822	2.52%	Texas Woman's University	1,787	2.90%
Denton State Supported Living Center	1,146	1.58%	Denton County (in Denton)	1,554	2.52%
City of Denton	1,104	1.52%	Denton State School	1,500	2.43%
Texas Presbyterian Hospital	1,100	1.52%	City of Denton	1,355	2.20%
Sally Beauty	1,000	1.38%	Federal Emergency Management Agency	1,100	1.78%
Medical City Denton	799	1.10%	Presbyterian Hospital of Denton	1,074	1.74%
Safran Electrical & Power	571	0.79%	Denton Regional Medical Center	911	1.48%
Total	22,864	31.57%	Total	23,568	38.21%

Source: Office of Economic Development & Denton Chamber of Commerce

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees for Fiscal Year				
Function / Program	**2012**	**2013**	**2014**	**2015**	**2016**
General government	204.25	210.25	210.25	218.75	229.75
Public safety					
Police	217.23	219.23	225.23	228.23	230.23
Fire	163.25	167.75	167.75	168.25	177.25
Animal services	9.00	11.00	11.00	13.00	13.00
Municipal Court/Judge	19.50	19.50	19.50	19.00	19.00
Public Safety Communication	-	-	-	-	-
Public works	41.00	44.00	46.00	49.50	54.50
Parks and recreation	141.08	143.35	145.81	145.81	148.48
Electric system	131.50	143.00	164.00	174.00	188.00
Water system	158.00	154.00	133.50	140.50	144.50
Wastewater system	92.37	97.25	100.75	108.75	111.25
Solid waste	105.50	115.00	117.00	120.00	124.50
Airport	5.50	6.50	6.50	7.50	7.50
Materials management	12.00	13.00	15.00	15.00	16.00
Fleet services	22.00	22.00	22.00	22.00	24.00
Technology services	27.00	29.00	31.00	36.00	36.00
Engineering	-	-	31.00	34.00	34.00
Risk Retention	6.00	6.00	6.00	8.00	8.00
Customer Service	-	-	-	-	-
Facilities Management	-	-	-	-	-
Total	1,355.18	1,400.83	1,452.29	1,508.29	1,565.96

(continued on the following page)

Source: City of Denton Budget Office

[1]Public Safety Communication moved out of Police in fiscal year 2019 into its own department.

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees for Fiscal Year				
Function / Program	**2017**	**2018**	**2019**	**2020**	**2021**
General government	224.75	224.25	226.50	216.25	264.12
Public safety					
Police	249.73	253.73	239.73	258.23	265.73
Fire	184.25	191.25	194.25	197.25	199.25
Animal services	14.00	14.00	16.50	20.00	20.00
Judge[2]	18.00	17.00	15.50	15.75	12.75
Public Safety Communication[1]	-	-	30.00	33.50	41.50
Public works	61.00	60.00	55.00	56.00	55.00
Parks and recreation	157.73	157.73	163.93	164.63	115.92
Electric system	191.00	199.00	187.00	189.00	173.00
Water system	151.50	149.00	105.50	107.50	104.50
Wastewater system	111.25	110.00	113.50	125.00	108.50
Solid waste	132.50	132.50	122.50	128.00	126.00
Airport	6.50	6.00	6.00	6.00	5.00
Materials management	17.00	18.00	23.00	26.50	23.50
Fleet services	24.00	23.00	26.00	26.00	26.00
Technology services	43.00	44.00	56.75	61.75	57.00
Engineering	35.00	36.00	52.00	51.00	45.00
Risk Retention	9.00	9.00	10.00	10.00	8.00
Customer Service	-	-	42.50	45.00	43.00
Facilities Management	-	-	-	20.50	17.00
Total	1,630.21	1,644.46	1,686.16	1,757.86	1,710.77

(concluded)

Source: City of Denton Budget Office

[1]**Public Safety Communication moved out of Police in fiscal year 2019 into its own department.**

[2]**Muncipal Court moved into Finance in 2021.**

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2012**	**2013**	**2014**	**2015**	**2016**
Public Safety					
Police					
Calls for service	**81,104**	**81,084**	**83,704**	**84,434**	**86,399**
Traffic citations issued	**28,327**	**30,166**	**27,160**	**22,022**	**20,207**
Fire					
Fire calls for service	**3,316**	**3,845**	**4,183**	**3,933**	**4,511**
EMS calls for service	**7,657**	**7,717**	**7,977**	**8,079**	**8,943**
Inspections (Businesses)	**4,310**	**4,366**	**4,830**	**4,066**	**4,361**
Animal Services					
Animals sheltered	**5,467**	**5,420**	**5,072**	**4,876**	**5,032**
Animals adopted, transferred, or returned	**4,332**	**4,209**	**3,895**	**3,870**	**4,468**
Public Works					
Street repaving (lane miles)	**15.43**	**10.26**	**25.59**	**18.21**	**25.69**
Pot holes repaired	**10,807**	**7,227**	**8,996**	**11,872**	**15,254**
Cutouts base failures (square feet)	**102,879**	**114,448**	**72,098**	**99,085**	**152,002**
Crack seal maintenance (linear feet)	**117,780**	**155,838**	**77,451**	**59,115**	**37,828**
Parks and Recreation					
Attendance					
Leisure Services	**969,858**	**909,395**	**1,060,988**	**967,132**	**1,007,102**
Water Park	**212,123**	**215,605**	**209,406**	**218,232**	**224,893**
Total Acres Maintained	**2,405**	**2,272**	**2,425**	**2,469**	**2,511**
Water					
Number of customers	**31,372**	**31,837**	**32,405**	**33,465**	**34,198**
Annual finished water production (in thousand gallons)	**6,750,840**	**6,827,186**	**6,155,724**	**6,355,608**	**6,301,333**
Wastewater					
Number of customers	**29,772**	**30,103**	**30,562**	**31,243**	**32,077**
Annual wastewater discharge (in thousand gallons)	**4,966,250**	**4,943,270**	**4,926,080**	**5,834,100**	**6,111,680**
Solid Waste					
Monthly average number of customers (residential and commercial)	**33,049**	**34,003**	**36,593**	**37,540**	**39,806**
MSW Landfilled (tons)	**164,436**	**176,076**	**203,928**	**227,859**	**251,305**
Recycling collections (tons)	**86,887**	**96,055**	**87,655**	**81,558**	**113,743**

(continued on the following page)

Source: Various city departments

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2017**	**2018**	**2019**	**2020**	**2021**
Public Safety					
Police					
Calls for service	87,122	81,672	87,847	90,583	115,209
Traffic citations issued	22,323	20,251	22,747	10,896	7,067 [2]
Fire					
Fire calls for service	4,651	4,978	3,502	4,421	5,079
EMS calls for service	9,687	9,876	9,130	12,091	15,001
Inspections (Businesses)	3,988	4,142	3,537	2,982	2,889
Animal Services					
Animals sheltered	4,944	4,924	5,027	4,059	4,431
Animals adopted, transferred, or returned	4,203	4,236	4,065	3,671	3,842
Public Works					
Street repaving (lane miles)	28.36	32.01	16.89	11.66	12.91
Pot holes repaired	16,972	6,228	6,658	4,837	6,803
Cutouts base failures (square feet)	95,601	328,022	72,819	160,661 [1]	202,879
Crack seal maintenance (linear feet)	119,611	438,240	47,908	- [1]	134,573
Parks and Recreation					
Attendance					
Leisure Services	1,082,246	1,166,987	1,000,918	421,364 [2]	213,843
Water Park	232,527	210,171	218,326	- [2]	71,749
Total Acres Maintained	2,206	2,245	1,990	2,081	5,810
Water					
Number of customers	34,714	35,945	36,876	38,082	39,118
Annual finished water production (in thousand gallons)	6,368,582	7,141,131	6,706,951	7,178,384	6,887,601
Wastewater					
Number of customers	32,618	33,987	34,873	35,922	36,589
Annual wastewater discharge (in thousand gallons)	5,175,571	4,548,900	5,335,150	5,237,560	5,261,440
Solid Waste					
Monthly average number of customers (residential and commercial)	41,219	42,499	43,256	44,736	46,103
MSW Landfilled (tons)	268,000	276,537	310,487	401,563	437,100
Recycling collections (tons)	117,155	105,493	48,025	35,680	38,827

(concluded)

Source: Various city departments

[1] The City did less route and seal of the concrete pavement and more clean and seal of asphalt pavement during the year. The drop in # of cutouts and crack seal maintenance was due to resources beign allocated to other projects and programs.

[2] These numbers were impacted from the COVID19 pandemic. The Water Park did not open during this year.

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2012**	**2013**	**2014**	**2015**	**2016**
Public safety					
Police					
Police stations	**1**	**1**	**1**	**1**	**1**
Police patrol units	**139**	**137**	**138**	**137**	**141**
Fire					
Fire stations	**7**	**7**	**7**	**7**	**7**
Emergency vehicles	**30**	**31**	**31**	**32**	**36**
Animal services					
Animals shelters	**1**	**1**	**1**	**1**	**1**
Public works					
Lane miles added per year	**2.45**	**12.00**	**12.20**	**5.83**	**8.11**
Streetlights	**6,987**	**7,020**	**7,067**	**7,164**	**7,233**
Parks and recreation					
Parks	**34**	**34**	**34**	**34**	**34**
Parks and open spaces acreage	**1,431**	**1,461**	**1,783**	**1,783**	**2,284**
Recreation centers	**12**	**12**	**12**	**12**	**12**
Water					
Water mains (miles)	**565**	**572**	**592**	**604**	**618**
Raw water (in thousand gallons)	**7,013,351**	**6,776,717**	**6,195,624**	**6,493,457**	**6,182,450**
Wastewater					
Wastewater mains (miles)	**501**	**509**	**513**	**516**	**521**
Maximum daily capacity (in million gallons)	**25**	**25**	**25**	**25**	**25**
Solid waste					
Landfills	**1**	**1**	**1**	**1**	**1**

(continued on the following page)

Source: Various city departments

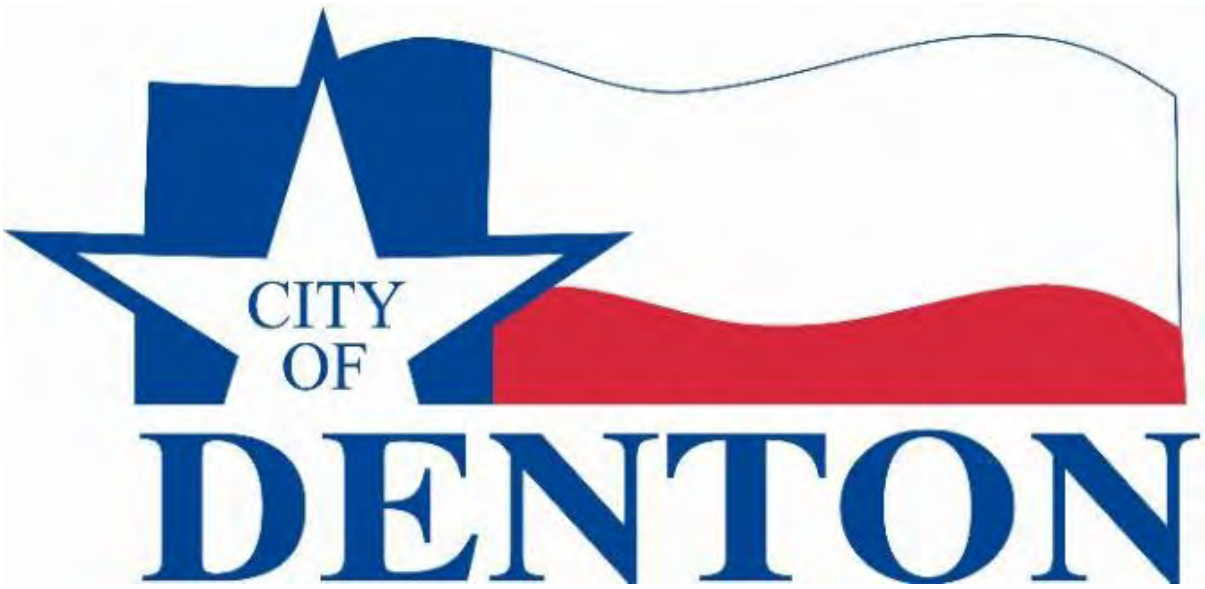
CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2017**	**2018**	**2019**	**2020**	**2021**
Public safety					
Police					
Police stations	**1**	**1**	**1**	**1**	**1**
Police patrol units	**147**	**155**	**168**	**169**	**181**
Fire					
Fire stations	**7**	**7**	**7**	**7**	**8**
Emergency vehicles	**36**	**37**	**37**	**34**	**42**
Animal services					
Animals shelters	**1**	**1**	**1**	**1**	**1**
Public works					
Lane miles added per year	**22.45**	**22.64**	**85.60**	**23.49**	**42.65**
Streetlights	**7,414**	**7,771**	**7,889**	**8,199**	**9,051**
Parks and recreation					
Parks	**34**	**34**	**34**	**38**	**59**
Parks and open spaces acreage	**2,284**	**2,245**	**4,033**	**3,906**	**5,025** [1]
Recreation centers	**12**	**12**	**12**	**12**	**12**
Water					
Water mains (miles)	**626**	**631**	**631**	**642**	**676**
Raw water (in thousand gallons)	**6,232,032**	**6,946,073**	**6,473,664**	**6,760,814**	**6,790,254**
Wastewater					
Wastewater mains (miles)	**526**	**533**	**533**	**528**	**544** [1]
Maximum daily capacity (in million gallons)	**25**	**25**	**25**	**25**	**25**
Solid waste					
Landfills	**1**	**1**	**1**	**1**	**1**

(concluded)

Source: Various city departments

[1] **The City revised these calculations using GIS technology and verification.**


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit XXIX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 1,725,383	$ 1,686,344	$ 1,544,517	$ 141,827
Materials and Supplies	16,068	16,068	15,111	957
Insurance	20,078	20,078	31,110	(11,032)
Miscellaneous	166,275	166,275	315,725	(149,450)
Operations, Services	159,005	198,044	178,663	19,381
Transfers - Interfund	137,997	137,997	138,098	(101)
City Manager's Office	2,224,806	2,224,806	2,223,224	1,582
Personal Service	330,006	330,006	348,421	(18,415)
Materials and Supplies	600	600	1,635	(1,035)
Insurance	5,304	5,304	8,218	(2,914)
Miscellaneous	1,000	1,000	216	784
Operations, Services	22,970	22,970	2,122	20,848
Transfers - Interfund	15,710	15,710	15,710	-
Cable Television	375,590	375,590	376,322	(732)
Personal Service	367,438	367,438	334,526	32,912
Materials and Supplies	500	500	246	254
Insurance	8,439	8,439	9,726	(1,287)
Operations, Services	133,750	133,750	124,898	8,852
Transfers - Interfund	30,775	30,775	30,775	-
Internal Audit	540,902	540,902	500,171	40,731
Personal Service	1,102,443	1,102,443	1,171,964	(69,521)
Materials and Supplies	361,600	361,600	143,330	218,270
Insurance	12,416	12,416	19,239	(6,823)
Operations, Services	415,328	415,328	192,545	222,783
Transfers - Interfund	62,910	62,910	92,910	(30,000)
Public Communications	1,954,697	1,954,697	1,619,988	334,709
Personal Service	1,738,762	1,738,762	1,947,176	(208,414)
Materials and Supplies	29,900	29,900	8,081	21,819
Maintenance and Repairs	500	500	-	500
Insurance	23,563	23,563	36,511	(12,948)
Miscellaneous	45,000	45,000	50,372	(5,372)
Operations, Services	387,871	377,871	365,732	12,139
Transfers - Interfund	138,274	148,274	148,301	(27)
Human Resources	2,363,870	2,363,870	2,556,173	(192,303)
Personal Service	2,906,368	2,906,368	2,788,215	118,153
Materials and Supplies	46,283	46,283	72,798	(26,515)
Insurance	23,562	23,562	38,488	(14,926)
Operations, Services	122,200	122,200	135,204	(13,004)
Transfers - Interfund	93,904	93,904	137,325	(43,421)
Legal Administration	$ 3,192,317	$ 3,192,317	$ 3,172,030	$ 20,287

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXIX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 494,676	$ 494,676	$ 397,966	$ 96,710
Materials and Supplies	9,576	3,676	3,429	247
Insurance	5,088	5,088	7,884	(2,796)
Operations, Services	7,985	13,885	4,580	9,305
Transfers - Interfund	39,107	39,107	39,108	(1)
Municipal Judge	556,432	556,432	452,967	103,465
Personal Service	1,664,003	1,664,003	1,476,768	187,235
Materials and Supplies	34,228	34,228	17,127	17,101
Insurance	38,305	38,305	59,353	(21,048)
Miscellaneous	43,181	43,181	8,563	34,618
Operations, Services	192,627	127,627	131,272	(3,645)
Transfers - Interfund	216,586	281,586	281,586	-
Planning	2,188,930	2,188,930	1,974,669	214,261
Personal Service	2,894,784	2,894,784	2,889,124	5,660
Materials and Supplies	57,662	57,662	19,381	38,281
Maintenance and Repairs	-	-	(21)	21
Insurance	50,816	50,816	78,739	(27,923)
Operations, Services	129,540	129,540	112,016	17,524
Transfers - Interfund	293,866	293,866	293,866	-
Building Inspections	3,426,668	3,426,668	3,393,105	33,563
Personal Service	127,869	127,869	-	127,869
Materials and Supplies	2,325	2,325	173	2,152
Insurance	1,742	1,742	2,699	(957)
Operations, Services	256,688	256,688	205,631	51,057
Transfers - Interfund	18,889	18,889	18,889	-
Gas Well Review	407,513	407,513	227,392	180,121
Personal Service	629,417	629,417	582,425	46,992
Materials and Supplies	31,500	31,500	7,627	23,873
Insurance	32,170	32,170	49,847	(17,677)
Operations, Services	480,782	122,275	46,752	75,523
Transfers - Interfund	100,483	100,483	100,483	-
Community Improvement	$ 1,274,352	$ 915,845	$ 787,134	$ 128,711

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXIX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 929,648	$ 929,648	$ 942,959	$ (13,311)
Materials and Supplies	41,400	41,400	17,014	24,386
Insurance	22,003	22,003	34,093	(12,090)
Miscellaneous	600	600	-	600
Operations, Services	36,170	36,170	14,923	21,247
Transfers - Interfund	253,334	253,334	389,656	(136,322)
Municipal Court	1,283,155	1,283,155	1,398,645	(115,490)
Personal Service	3,081,097	3,086,097	3,297,838	(211,741)
Materials and Supplies	75,675	75,175	27,627	47,548
Maintenance and Repairs	1,800	1,800	149	1,651
Insurance	41,628	41,628	64,502	(22,874)
Miscellaneous	1,590	1,590	835	755
Operations, Services	142,523	108,023	122,389	(14,366)
Transfers - Interfund	501,514	531,514	506,437	25,077
Finance	3,845,827	3,845,827	4,019,777	(173,950)
Personal Service	577,235	577,235	604,772	(27,537)
Materials and Supplies	36,650	36,650	2,846	33,804
Maintenance and Repairs	5,600	5,600	381	5,219
Insurance	6,641	6,641	13,640	(6,999)
Miscellaneous	63,900	63,900	42,320	21,580
Operations, Services	2,607,272	2,602,272	3,533,907	(931,635)
Transfers - Interfund	49,496	54,496	54,496	-
Economic Development	3,346,794	3,346,794	4,252,362	(905,568)
Personal Service	7,025,242	6,878,242	6,271,091	607,151
Materials and Supplies	910,664	862,642	744,986	117,656
Maintenance and Repairs	617,769	603,889	621,266	(17,377)
Insurance	179,404	179,404	277,984	(98,580)
Miscellaneous	11,040	11,040	7,390	3,650
Operations, Services	2,911,740	3,249,297	2,907,209	342,088
Transfers - Interfund	729,687	991,539	2,687,242	(1,695,703)
Capital Outlay	38,150	38,150	-	38,150
Parks & Recreation	12,423,696	12,814,203	13,517,168	(702,965)
Personal Service	1,263,071	1,263,071	1,104,265	158,806
Materials and Supplies	-	-	61	(61)
Operations, Services	100,000	100,000	57,600	42,400
Development Review	1,363,071	1,363,071	1,161,926	201,145
Personal Service	3,940,475	3,940,475	3,926,440	14,035
Materials and Supplies	157,212	(5,909)	136,317	(142,226)
Maintenance and Repairs	74,956	51,186	47,183	4,003
Insurance	96,912	96,912	150,164	(53,252)
Operations, Services	464,439	459,793	393,748	66,045
Transfers - Interfund	1,107,467	1,298,399	1,298,399	(0)
Capital Outlay	487,067	487,672	476,296	11,376
Library	6,328,528	6,328,528	6,428,547	(100,019)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXIX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 1,099,531	$ 1,099,531	$ 1,026,186	$ 73,345
Materials and Supplies	15,750	17,950	17,848	102
Maintenance and Repairs	833,275	833,275	674,220	159,055
Insurance	28,733	28,733	44,522	(15,789)
Miscellaneous	2,400	2,400	1,633	767
Operations, Services	154,664	152,464	126,141	26,323
Transfers - Interfund	324,626	324,626	524,695	(200,069)
Capital Outlay	-	-	-	-
Traffic Operations	2,458,979	2,458,979	2,415,245	43,734
Operations, Services	850,000	850,000	903,937	(53,937)
Street Lighting	850,000	850,000	903,937	(53,937)
Personal Service	37,192,635	37,192,635	36,011,480	1,181,155
Materials and Supplies	787,816	777,841	679,194	98,647
Maintenance and Repairs	3,650	12,138	8,433	3,705
Insurance	544,518	544,518	843,724	(299,206)
Miscellaneous	230,518	224,488	216,411	8,077
Operations, Services	1,129,745	1,137,262	1,304,992	(167,731)
Transfers - Interfund	3,254,648	3,254,648	3,270,955	(16,307)
Police	43,143,530	43,143,530	42,335,189	808,341
Personal Service	1,537,745	1,537,745	1,557,245	(19,500)
Materials and Supplies	107,600	107,600	104,256	3,344
Maintenance and Repairs	14,849	14,849	18,475	(3,626)
Insurance	39,529	39,529	61,250	(21,721)
Operations, Services	518,683	518,683	605,415	(86,732)
Transfers - Interfund	154,285	154,285	154,285	-
Animal Services	2,372,691	2,372,691	2,500,926	(128,235)
Personal Service	28,577,464	28,577,464	28,956,615	(379,151)
Materials and Supplies	784,850	774,843	741,597	33,246
Maintenance and Repairs	148,162	128,781	153,788	(25,007)
Insurance	365,412	365,412	566,201	(200,789)
Miscellaneous	94,330	94,330	66,500	27,830
Operations, Services	2,014,292	1,984,649	2,538,545	(553,896)
Transfers - Interfund	1,153,064	1,220,095	1,716,555	(496,460)
Capital Outlay	74,000	34,000	-	34,000
Fire	$ 33,211,574	$ 33,179,574	$ 34,739,801	$ (1,560,227)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXIX**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (concluded)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 306,962	$ 306,962	$ 387,353	$ (80,391)
Materials and Supplies	3,655	3,655	297	3,358
Insurance	5,806	5,806	8,996	(3,190)
Miscellaneous	567,231	567,231	316,409	250,822
Operations, Services	721,940	721,940	699,597	22,343
Transfers - Interfund	43,150	43,150	43,150	-
Agency Contributions	1,648,744	1,648,744	1,455,802	192,942
Personal Service	-	-	64,967	(64,967)
Materials and Supplies	40,000	40,000	19,228	20,772
Miscellaneous	500,148	500,148	151,135	349,013
Operations, Services	1,208,989	1,155,989	2,550,601	(1,394,612)
Transfers - Interfund	11,017,041	11,052,041	7,877,623	3,174,418
Fixed Assets	-	18,000	-	18,000
Miscellaneous/Finance	12,766,178	12,766,178	10,663,554	2,102,624
Personal Service	99,512,254	99,331,215	97,632,313	1,698,902
Materials and Supplies	3,551,514	3,316,190	2,780,209	535,981
Maintenance and Repairs	1,700,561	1,652,018	1,523,874	128,144
Insurance	1,552,069	1,552,069	2,406,890	(854,821)
Miscellaneous	1,727,213	1,721,183	1,177,509	543,674
Operations, Services	15,169,203	14,996,720	17,258,419	(2,261,700)
Transfers - Interfund	19,736,813	20,401,627	19,820,544	581,083
Capital Outlay	599,217	577,822	476,296	101,526
TOTAL GENERAL FUND	$ 143,548,844	$ 143,548,844	$ 143,076,054	$ 472,790

(concluded)

CITY
OF
DENTON

City of Denton, Texas

Federal and State Single Audit Reports
Year Ended September 30, 2021

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Assurance • Tax • Advisory

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and City Council of
City of Denton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 30, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Mayor and City Council of
City of Denton, Texas

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2022

Independent Auditor's Report on Compliance for Each Major Federal and State Program, Report on Internal Control over Compliance, and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*

The Honorable Mayor and City Council of
City of Denton, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the City of Denton, Texas' (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* issued by the Texas Governor's Office of Budget and Planning that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2021. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the statutes, regulations, contracts, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Texas Governor's Office of Budget and Planning. Those standards, Uniform Guidance and UGMS, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2021.

The Honorable Mayor and City Council of
City of Denton, Texas

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Uniform Guidance and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and UGMS. Accordingly, this report is not suitable for any other purpose.

The Honorable Mayor and City Council of
City of Denton, Texas

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and UGMS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 30, 2022 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and UGMS and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2022

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards

For the Year Ended September 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D. NUMBER	FEDERAL ASSISTANCE LISTING NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Direct Awards:				
Community Development Block Grant	B-16-MC-48-0036	14.218	$ 2,858	$ -
Community Development Block Grant	B-17-MC-48-0036	14.218	78,373	-
Community Development Block Grant	B-19-MC-48-0036	14.218	401,831	272,772
Community Development Block Grant	B-20-MC-48-0036	14.218	503,570	277,183
COVID-19 - Community Development Block Grant CARES	B-20-MW-48-0036	14.218	529,359	-
Total CDBG Entitlement Grants Cluster			1,515,991	549,955
Home Investment Partnerships Program	M-15-MC-48-0223	14.239	82,008	-
Home Investment Partnerships Program	M-16-MC-48-0223	14.239	22,625	3,673
Home Investment Partnerships Program	M-17-MC-48-0223	14.239	195,699	-
Home Investment Partnerships Program	M-18-MC-48-0223	14.239	171,599	132,854
Home Investment Partnerships Program	M-19-MC-48-0223	14.239	329,335	84,140
Home Investment Partnerships Program	M-20-MC-48-0223	14.239	124,803	-
Subtotal - Assistance Listing # 14.239			926,069	220,667
Total Direct Awards			2,442,060	770,622
Passed through Texas Department of Housing and Community Affairs (TDHCA):				
COVID-19 - Community Development Block Grant CARES	B-20-DW-48-0001	14.228	187,444	187,444
COVID-19 - Emergency Solutions Grant CARES	E-20-DW-48-0001	14.231	1,039,136	1,039,136
Total Passed Through Texas Department of Housing and Community Affairs			1,226,580	1,226,580
Total U.S. Department of Housing and Urban Development			3,668,640	1,997,202
U.S. Department of Justice				
Direct Awards:				
U.S. Marshals Violent Offenders Task Force	VOTF	16.000	73,191	-
North Texas Organized Crime Task Force	NTOCTF	16.000	11,011	-
Subtotal - Assistance Listing # 16.000			84,202	-
COVID-19 - Coronavirus Emergency Supplemental Funding Program	2020-VD-BX-0934	16.034	79,337	-
National Sexual Assault Kit Initiative	2019-AK-BX-0026	16.833	73,471	20,151
Equitable Sharing Program	TX0610200	16.922	74,070	-
Total Direct Awards			311,080	20,151
Passed through Texas Office of the Governor - Criminal Justice Division (CJD):				
Victim Assistance Coordinator	2019-V2-GX-0011	16.575	82,894	-
Total U.S. Department of Justice			393,974	20,151
U.S. Department of Labor				
Passed through Texas Workforce Commission:				
COVID-19 - Unemployment Insurance - 50% Chargeback Credit	N/A	17.225	85,206	-
Total U.S. Department of Labor			85,206	-
Federal Aviation Administration				
Passed through Texas Department of Transportation Aviation Division:				
Airport West Side Runway Grant	N/A	20.106	112	-
COVID-19 - Airport Grant - CARES Act	20CRDENTN	20.106	157,000	-
COVID-19 - Airport Coronavirus Relief Grant	21CRDENTN	20.106	57,000	-
Total Federal Aviation Administration			214,112	-

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards – Continued

For the Year Ended September 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D. NUMBER	FEDERAL ASSISTANCE LISTING NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
U.S. Department of Transportation				
Passed through Texas Department of Transportation:				
State and Community Highway Safety Grant	2021-DentonPD-S-1YG-00032	20.600	$ 21,054	$ -
Total U.S. Department of Transportation			21,054	-
U.S. Department of Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	N/A	21.027	6,136	-
Passed through Denton County, Texas Commissioners Court				
COVID-19 - Coronavirus Relief Fund	N/A	21.019	2,823,227	-
Total U.S. Department of Treasury			2,829,363	-
National Endowment for the Arts				
Passed through Texas Commission on the Arts:				
COVID-19 - Texas Rescue Plan Grant	21-77748499	45.025	2,406	-
Total National Endowment for the Arts			2,406	-
National Endowment for the Humanities				
Passed through Humanities Texas:				
COVID-19 - Library Relief Grant	2020-5909	45.129	2,768	-
Total National Endowment for the Humanities			2,768	-
Institute of Museum and Library Services				
Passed through Texas State Library and Archives Commision (TSLAC):				
Interlibrary Loan Program	LS-246193-OLS-20	45.310	18,358	-
TexTreasures Grant Program	LS-246193-OLS-20	45.310	24,820	-
Special Projects Grant Program	LS-246193-OLS-20	45.310	54,058	-
COVID-19 - CARES-Cycle 2 Grant Program	LS-246561-OLS-20	45.310	20,928	-
Total Institute of Museum and Library Services			118,164	-
U.S. Department of Health and Human Services				
Direct Awards:				
COVID-19 - Provider Relief Fund Program	N/A	93.498	61,281	-
Total U.S. Department of Health and Human Services			61,281	-
U.S. Department of Homeland Security				
Direct Awards:				
USSS' North Texas Financial Crimes Task Force	USSS	97.000	4,405	-
Staffing for Adquate Fire and Emergency Response (SAFER) Grant	EMW-2016-FH-00195	97.083	17,719	-
Staffing for Adquate Fire and Emergency Response (SAFER) Grant	EMW-2019-FH-00862	97.083	167,676	-
Subtotal - Assistance Listing # 97.083			185,395	-
Total Direct Awards			189,800	-
Passed through Texas A&M Engineering Extension Office:				
National Urban Search & Rescue Response System	47-100-769	97.025	38,089	-
Passed through Texas Division of Emergency Management (TDEM):				
COVID-19 - Disaster Grants - Public Assistance	N/A	97.036	100,182	-
Disaster Grants - Public Assistance - TFMAS	N/A	97.036	12,091	-
COVID-19 - Disaster Grants - Public Assistance - Vaccination	N/A	97.036	11,210	-
Disaster Grants - Public Assistance - Winter Storm	N/A	97.036	8,763	-
Disaster Grants - Public Assistance - Wildfire Season 2020	N/A	97.036	3,298	-
Total Passed Through Texas Division of Emergency Management (TDEM)			135,544	-
Passed through Office of the Governor - Homeland Security Grants Division:				
2020 UASI Specialized Regional Response Teams Sustainment	EMW-2020-SS-00054	97.067	132,416	-
2020 SHSP-EOD X-Ray Equipment Enhancement	EMW-2020-SS-00054	97.067	46,488	-
Total passed through Office of the Governor - Homeland Security Grants Division			178,904	-
Total U.S. Department of Homeland Security			542,337	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 7,939,305	$ 2,017,353

City of Denton, Texas

Schedule of Expenditures of Federal and State Awards – Continued
For the Year Ended September 30, 2021

STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	GRANT I.D. NUMBER	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
STATE AWARDS			
Office of the Texas Attorney General			
Chapter 59 Asset Forfeiture Award	N/A	$ 46,461	$ -
Total Office of the Texas Attorney General		46,461	-
Texas Department of Transportation			
Airport Maintenance Grant	M2118DNTO	50,000	-
RTR-Mayhill Road - From IH35 East to US 380	0918-46-246	2,448,331	-
RTR-Bonnie Brae Road - From IH35 East to US 377	0918-46-245	4,510,626	-
RTR-Mckinney Street (Formerly FM 426)	0918-46-298	4,149,921	-
RTR-Hickory Creek Road Project	0918-46-290	938,054	-
RTR-N TX Blvd Roundabout	0918-46-281	174,285	-
Total Regional Toll Revenue (RTR) Transportation Projects		12,221,217	-
Total Texas Department of Transportation		12,271,217	-
Texas A&M Engineering Extension Service			
Urban Search & Rescue Response System	47-100-769	89,260	-
Total Texas A&M Engineering Extension Service		89,260	-
Texas Commission on the Arts			
Cultural District Grant Program	21-48499	28,000	-
Total Texas Commission on the Arts		28,000	-
North Central Texas Council of Governments			
Solid Waste Implementation Grant	21-04-08	21,240	-
Total North Central Texas Council of Governments		21,240	-
Texas Commission on Environmental Quality			
Light-Duty Motor Vehicle Purchase or Lease Incentive Program	582-21-24367-LD	2,500	-
Light-Duty Motor Vehicle Purchase or Lease Incentive Program	582-21-24368-LD	2,500	-
Total Texas Commission on Environmental Quality		5,000	-
Texas Comptroller of Public Accounts			
Fire-Law Enforcement Officer Standards & Education	N/A	2,693	-
Total Texas Comptroller of Public Accounts		2,693	-
TOTAL EXPENDITURES OF STATE AWARDS		$ 12,463,871	$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS		$ 20,403,176	$ 2,017,353

City of Denton, Texas

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Note 1. General

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all applicable federal and state awards of the City of City of Denton, Texas (the City). The City's reporting entity is defined in Note 1 to the financial statements. Federal and state awards received directly from federal and state agencies as well as federal awards passed through other government agencies are included on the schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 to the City's basic financial statements.

Note 3. Relationship to Federal and State Financial Reports

Amounts reported in the accompanying schedule may not agree with amounts reported in the related federal and state financial reports with grantor agencies because of accruals which would be included in the next report filed with the agencies.

Note 4. Indirect Costs

The City has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

City of Denton, Texas

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I - Summary of Auditor's Results

Basic Financial Statements:

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ____Yes __X__None reported

Noncompliance which is material to the basic financial statements noted? ____Yes __X__No

Federal and State Awards:

Internal control over major programs:

- Material weakness(es) identified? ____Yes __X__No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ____Yes __X__None reported

An unmodified opinion was issued on compliance for each major program.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or State of Texas *Uniform Grant Management Standards*? ____Yes ___X__No

Identification of major programs:

Assistance Listing Number/Grant Identification Number	Name of Federal and State Program or Cluster
Major Federal Program:	
14.218	CDBG Entitlement Grants Cluster
14.239	Home Investment Partnerships Program
14.231	COVID-19 Emergency Solutions Grant
21.019	COVID-19 Coronavirus Relief Fund
Major State Program:	Regional Toll Revenue (RTR) Transportation Projects
Dollar threshold used to distinguish Between type A and type B programs:	$750,000 for federal programs $373,916 for state programs

City of Denton, Texas

Schedule of Findings and Questioned Costs – Continued
For the Year Ended September 30, 2021

Auditee qualified as low-risk for federal single audit? __X__ Yes _____ No

Auditee qualified as low-risk for state single audit? __X__ Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal and State Awards Findings and Questioned Costs

None

Section IV – Schedule of Prior Year Findings and Questioned Costs

None